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UPDATE UPLAND COTTON ALLOTMENT SYSTEM

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HEARING

BEFORE THE

SUBCOMMITTEE ON COTTON

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 7855

JUNE 28, 1977

Serial No. 95-R



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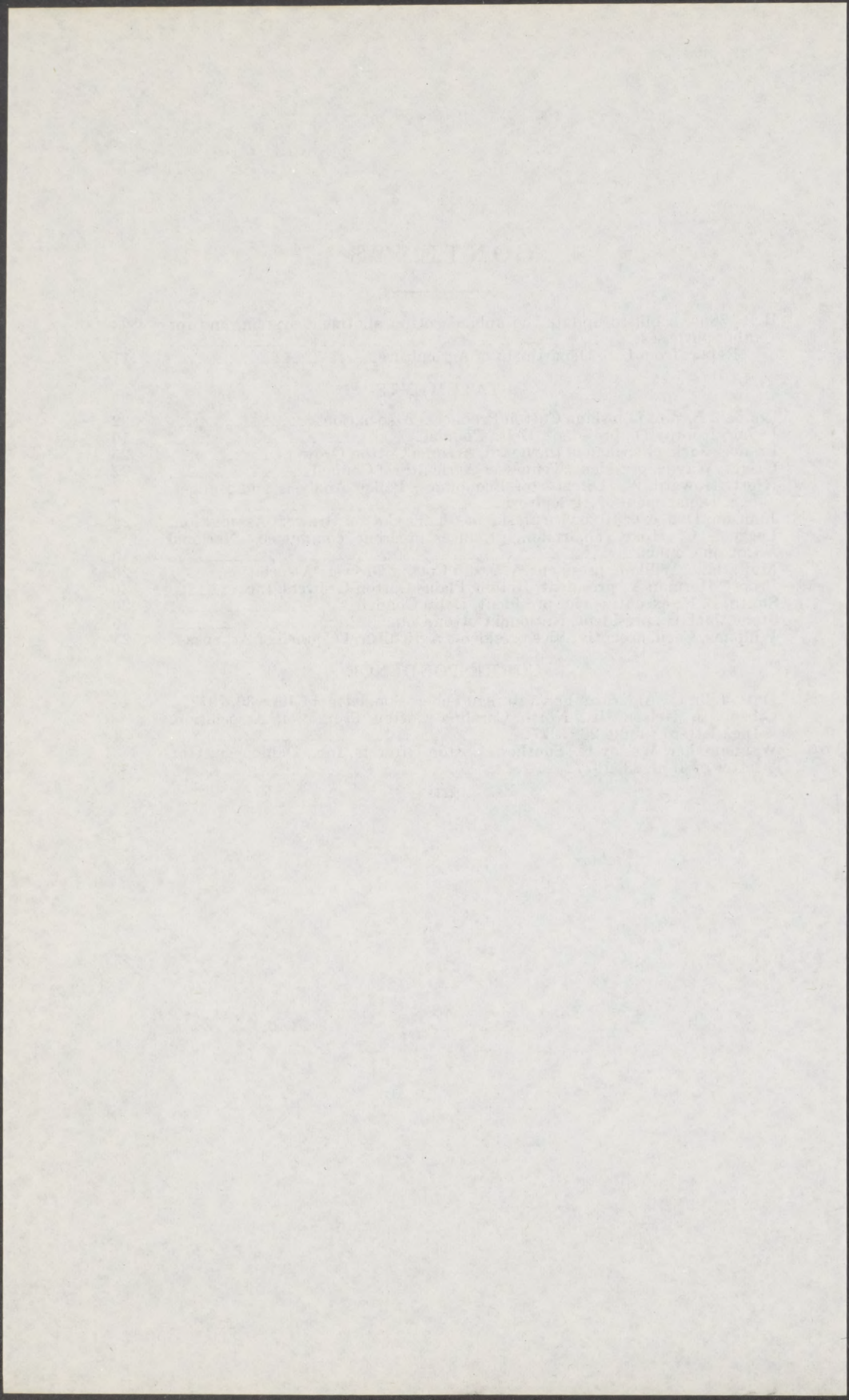
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UPDATE UPLAND COTTON ALLOTMENT SYSTEM

TUESDAY, JUNE 28, 1977

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

The subcommittee met at 10:10 a.m., pursuant to notice, in room 1301, Longworth House Office Building, Hon. David R. Bowen (chairman of the subcommittee) presiding.

Present: Representatives Jones of Tennessee, Krebs, Hightower, Poage, Huckaby, Moore, and Hagedorn.

Staff present: Robert M. Bor, counsel; Anita R. Brown, clerk; James A. Culver, John C. Baize, and Linda J. Miller.

Mr. BOWEN. The Cotton Subcommittee will be in order. We have with us today a number of spokesmen of the cotton industry who are here to testify on the updating of the cotton allotment system.

I would like to begin by congratulating the National Cotton Council and the producers steering committee for coming up so rapidly with an industrywide agreement in this area. That follows right on the heels of your eminent success in working out a general cotton program which we have already reported out of the full committee. We are certain to have the support of the entire industry, and I hope that we will gain its adoption on the floor of the House, along with the remainder of the farm bill.

At the time we were dealing with the cotton program in the full committee, we did discuss the subject of allotments. The committee agreed to postpone consideration at that time of any revision of the allotment structure based upon a commitment that I made to the committee that I would do all in my power to see that the producers steering committee, which had a study already underway on this subject, proceeded rapidly with that study and that we would hold hearings this summer.

I promised to use all of the influence that I had within the Cotton Subcommittee to see that we reported the bill out this fall with a revision of the allotment system. This was to be done in a timely manner in order to enable enactment in such a way that it could govern the operation of the 1978 crop.

At the time that I made that commitment, I had no idea that the producers steering committee would work so swiftly and so efficiently and would come up with an industrywide consensus this rapidly.

So as a consequence, I have accelerated the schedule that I had committed myself to earlier. After consultation with Chairman Foley, we have agreed to go ahead and have these hearings today.

Tomorrow at 10:30 we will have a markup on this subject in the Cotton Subcommittee. Then under the advice of Chairman Foley, I will take the product of that markup and offer it as an amendment to the farm bill when we take it up before the House.

Current estimates are that that will likely be the week immediately following the July 4 recess or the week after that. The final date has not been set.

[The bill H.R. 7855 and the U.S. Department of Agriculture report follow:]

95TH CONGRESS
1ST SESSION

H. R. 7855

IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 1977

Mr. BOWEN introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To update the upland cotton allotment system, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That effective for the 1978 through 1981 crops of upland
4 cotton, section 103 (e) of the Agricultural Act of 1949, as
5 amended, is amended by—

6 (a) Changing the last three sentences of paragraph (2)
7 to read as follows: "If the Secretary determines that the pro-
8 ducers on a farm are prevented from planting any portion of
9 the acreage intended for cotton to cotton or other nonconserv-
10 ing crops because of drought, flood, or other natural disaster,
11 or other condition beyond the control of the producers, the

1 Secretary shall make a prevented planting disaster payment
2 to the producers on the smaller of (i) the acreage intended
3 to be planted to cotton, or (ii) the acreage planted to cotton
4 for harvest (including any acreage which the producers were
5 prevented from planting to cotton or other nonconserving
6 crop in lieu of cotton) in the immediately preceding year
7 multiplied by 75 per centum of the program yield established
8 by the Secretary for the farm for the current year times a
9 payment rate equal to $33\frac{1}{3}$ per centum of the established price
10 for the crop. If the Secretary determines that because of
11 drought, flood, or other natural disaster, or other condition
12 beyond the control of the producers, the total quantity of
13 cotton which the producers are able to harvest on any farm
14 is less than the result of multiplying 75 per centum of the
15 program yield established by the Secretary for the farm for
16 such crop during the current year times the acreage planted
17 to harvest for such crop in such year, the Secretary shall
18 make a farm disaster payment to the producers at a rate equal
19 to $33\frac{1}{3}$ per centum of the established price for the crop for the
20 deficiency in production below 75 per centum for the crop.
21 Compensation made under the foregoing provisions of this
22 paragraph for disaster loss with respect to prevented planting
23 and low yield shall not be regarded as payment for purposes
24 of section 101 of the Agricultural Act of 1970, as amended.
25 In the event payments authorized in the first sentence of this

1 paragraph are required to be made for any crop of upland
2 cotton, the payment rate with respect to any producer who
3 (i) is on a small farm (that is, a farm on which the acreage
4 planted to cotton is ten acres or less, or on which the farm
5 program payment yield times the acreage planted to cotton is
6 five thousand pounds or less), (ii) resides on such farm, and
7 (iii) derives his principal income from cotton produced on
8 such farm, shall be increased 30 per centum.”

9 (b) Changing paragraph (3) to read as follows:

10 “(3) (A) In the event payments are required to be
11 made for any crop of upland cotton under the first sentence
12 of paragraph (2) of this subsection, such payments shall be
13 made to producers on each farm on (i) the farm program
14 acreage determined in accordance with subparagraph (D)
15 times (ii) the farm program payment yield determined in
16 accordance with subparagraph (E).

17 “(B) The Secretary shall establish for each of the 1978
18 through 1981 crops of upland cotton a national program
19 acreage. Such national program acreage shall be announced
20 not later than December 15 of the calendar year preceding
21 the year for which such acreage is established. The national
22 program acreage shall be the number of harvested acres the
23 Secretary determines (on the basis of the estimated weighted
24 national average of the farm program yields for the crop for
25 which the determination is made) will produce the quantity

1 (less imports) that the Secretary estimates will be utilized
2 domestically and for export during the marketing year for
3 such crop. The national program acreage shall be subject
4 to such adjustment as the Secretary determines necessary,
5 taking into consideration the estimated carryover supply, so
6 as to provide for an adequate but not excessive total supply
7 of cotton for the marketing year for the crop for which such
8 national program acreage is established.

9 “(C) The Secretary shall determine a program alloca-
10 tion factor for each crop of upland cotton for which pay-
11 ments are to be made as provided for in the first sentence
12 of paragraph (2). The allocation factor (not to exceed 100
13 per centum) shall be determined by dividing the national
14 program acreage for the crop by the number of acres which
15 the Secretary estimates will be harvested from such crop.

16 “(D) The individual farm program acreage for each
17 crop of upland cotton shall be determined by multiplying the
18 allocation factor by the acreage of cotton planted for harvest
19 on the farms for which individual farm program acreages are
20 required to be determined: *Provided*, That the cotton acre-
21 age eligible for payment on a farm shall not be further
22 reduced by application of the allocation factor if the pro-
23 ducers reduced the planted acreage on the farm from the pre-
24 vious year by at least the percentage recommended by the
25 Secretary in announcing the national program acreage. In

1 carrying out the foregoing provision, the Secretary shall pro-
2 vide fair and equitable treatment for producers on farms on
3 which the acreage planted to cotton is less than the preced-
4 ing year but the reduction is insufficient to exempt the farm
5 from the allocation factor. In establishing the allocation fac-
6 tor under subparagraph (C) the Secretary is authorized to
7 make such adjustment as deemed necessary to take into ac-
8 count the extent of exemption of farms under the foregoing
9 provisions.

10 “(E) The farm program payment yield for the farm for
11 any year shall be determined on the basis of the actual yields
12 per harvested acre on the farm for the preceding three years:
13 *Provided*, That the actual yields shall be adjusted by the
14 Secretary for abnormal yields in any year caused by drought,
15 flood, or other natural disaster, or other condition beyond
16 the control of the producers. In case farm yield data for
17 one or more years are unavailable or there was no produc-
18 tion, the Secretary shall provide for appraisals to be made on
19 the basis of actual yields and program payment yields for
20 similar farms in the area for which data are available.”.

21 (e) Changing paragraph (4) (A) to read as follows:

22 “(4) (A) The Secretary shall provide for a set-aside
23 of cropland if he determines that the total supply of upland
24 cotton will, in the absence of such a set-aside, likely be
25 excessive taking into account the need for an adequate

1 carryover to maintain reasonable and stable supplies and
2 prices and to meet a national emergency. If a set-aside of
3 cropland is in effect under this paragraph, then as a condition
4 of eligibility for loans, purchases, and payment on upland
5 cotton, the producers on a farm must set aside and devote
6 to conservation uses an acreage of cropland equal to a speci-
7 fied percentage as determined by the Secretary (but not
8 to exceed 28 per centum), of the acreage planted to upland
9 cotton on the farm in the year for which the set-aside
10 requirement is established. The set-aside acreage shall be
11 devoted to conservation uses in accordance with regulations
12 issued by the Secretary which will assure protection of
13 such acreage from wind and water erosion throughout the
14 current calendar year; however, the Secretary may permit,
15 subject to such terms and conditions as he may prescribe,
16 all or any of the set-aside acreage to be devoted to sweet
17 sorghum, hay and grazing or to the production of guar,
18 sesame, safflower, sunflower, castor beans, mustard seed,
19 crambe, plantago ovato, flaxseed, triticale, oats, rye, or
20 other commodity, if he determines that such production is
21 needed to provide an adequate supply, is not likely to in-
22 crease the cost of the price support program, and will not
23 adversely affect farm income. The Secretary may limit the
24 acreage planted to cotton on farms by establishing a factor
25 which shall be multiplied by the highest acreage planted

1 to cotton on the farm (including any acreage not planted
2 to cotton because of drought, flood, or other natural disaster,
3 or other condition beyond the control of the producers) in
4 any one of the preceding five years. Such limitation shall be
5 applied on a uniform basis to all cotton producing farms.
6 Producers on a farm who knowingly plant cotton in excess
7 of the permitted cotton acreage for the farm shall be in-
8 eligible for cotton loans or payments with respect to that
9 farm.”.

10 SEC. 2. (a) Section 408 (b) of the Agricultural Act
11 of 1949, as amended, is amended effective for the 1978
12 through 1981 crops by changing the second proviso to read
13 as follows: “*And provided*, That for the 1978 through 1981
14 crops of upland cotton a cooperator shall be a producer who
15 has set aside on the farm the acreage required under section
16 103 (e).”.

17 (b) Sections 379 and 385 of the Agricultural Adjust-
18 ment Act of 1938, as amended effective with respect to the
19 1971 through 1977 crops, are further amended to be effec-
20 tive for the 1971 through 1981 crops.

21 (c) Section 101 (f) of the Agricultural Act of 1949, as
22 amended, is amended by striking out the words “Middling
23 one-inch” appearing in the first sentence and inserting in
24 lieu thereof “Strict Low Middling one and one-sixteenth
25 inches”.

1 (d) Notwithstanding any other provision of law, the
2 permanent State, county, and farm base acreage allotments
3 for the 1977 crop of upland cotton, adjusted for any under-
4 plantings in 1977 and reconstituted as provided in section
5 379 of the Agricultural Adjustment Act of 1938, as
6 amended, shall again become effective as preliminary al-
7 lotments for the 1982 crop.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

Honorable Thomas S. Foley
Chairman, Committee on Agriculture
House of Representatives

May 1 1977

Dear Mr. Chairman:

This responds to your request for a report on H.R. 7855, a bill "To update the upland cotton allotment system, and for other purposes."

The Department supports passage of this legislation, with some reservations as discussed below.

This bill would provide that target price and disaster payment protection be based on acreage planted for harvest in the current year. H.R. 7855 also eliminates many of the inequities of the present disaster payment program. We support these changes. The bill does, however, extend the disaster provisions for four years, for the 1978-81 crops of upland cotton. We would prefer that these provisions be extended for one year only which would give us time to develop a comprehensive insurance program. The bill also excludes cotton disaster payments from the payment limitation. While we support this, we would prefer that this change be made in Title I of H.R. 7171 and be applicable to all commodities.

Under this bill, the national program acreage must be determined and announced by not later than December 15 of the year preceding the year for which such acreage is established. From a practical standpoint, this requires that the acreage be determined on the basis of estimates made about eight months before the beginning and twenty months before the ending of the marketing year for which it is applicable. Since such acreage is used only in the event that deficiency payments are required, we prefer that the acreage not be determined until it is known that a deficiency payment is needed. However, if it is necessary to have a specified date, the Department would prefer January 30, since this would enable us to have the planting intentions report for the year concerned.

The bill also provides that the farm program payment yield is to be determined on the basis of actual yields for the preceding three years, with adjustments for abnormal conditions. The Department's preference concerning this provision, is the language in H.R. 7171 with respect to wheat and feed grains.

The bill limits the set-aside requirement to a maximum of 28 percent of the acreage planted on a farm in the year for which the requirement is established. While it is not likely that a set-aside requirement larger than 28 percent will ever be needed, the Secretary should have authority to further increase the set-aside requirement in the event it should become

necessary. Broader authority is contained in the wheat and feed grain titles of H.R. 7171 which permits basing the set-aside requirement on a percentage of either current year or the prior year plantings.

This legislation provides that the Secretary may limit the acreage planted to cotton on a farm to a percentage of the highest acreage planted to cotton on the farm (including any acreage not planted because of drought, flood or other natural disaster, or other condition beyond the control of the producer) in any one of the preceding five years. Should an acreage limitation become necessary it would be very difficult to determine the needed limitation under this provision. It would also require maintenance of five years of planted history for every farm. We prefer the language in H.R. 7171 which is applicable for wheat and feed grains. It would provide that if it is determined that an acreage limitation is needed, it shall be based upon a uniform percentage of the acreage planted for harvest in the preceding year. The Department could accept a provision that this be based upon acreage in subsequent years to 1976.

We think that the proviso of section 103(e)(3)(D) of the Agricultural Act of 1949, as amended by this bill, referring to reduction of program acreages, does have merit as applied to H.R. 7171.

The enclosed table shows government cost estimates under this bill, assuming other provisions of H.R. 7171 are adopted.

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

Sincerely,

John C. White
Deputy Secretary

Enclosure

Mr. BOWEN. I would like to thank all of you for being with us today. I would like to call at this time our first witness, Mr. Hoke Leggett who served as the chairman of the producers steering committee of the National Cotton Council. He will be accompanied by Mr. Jack Stone who is president of the National Cotton Council.

If you gentlemen would join us at the witness table, we would be very happy to hear your testimony.

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

Mr. LEGGETT. Thank you, Mr. Chairman.

My name is Hoke Leggett, and I am a cotton farmer from Hobgood, N.C. Presently I serve as chairman of the producer steering committee of the National Cotton Council.

The committee is composed of grower representatives selected by cotton producer organizations from each of the 14 major cotton producing States. Our membership is uniformly distributed across the Cotton Belt and, we believe, provides a true cross section of producer viewpoint. The producer steering committee has the responsibility under council procedure for developing all recommendations on price and production policy for consideration by the council's delegate body.

First of all, I want to thank you, Mr. Chairman, and the members of your committee for delaying a decision on charges in the cotton allotment system during the committee markups in April and May. We are aware—and appreciate—that your commitment to bring back a proposal on cotton allotments to the Agriculture Committee later this year was made to allow the industry an opportunity to develop a position that cotton farmers across the belt can support.

I believe that has now been accomplished. Our recommendations have been incorporated in H.R. 7855, introduced by you, Mr. Chairman, on June 17, and which is serving as the basis for these hearings. We are most appreciative.

At the annual meeting of the National Cotton Council in Orlando, Fla., this past January, both the producer steering committee and the council's board of directors indicated strong interest in the updating of allotments. Many producers believe that the system now being used to allocate the national allotments of cotton among States, counties, and farms is obsolete and outdated, and should be revised to more accurately reflect actual plantings of the crop across the country.

As a reflection of that concern, the producer steering committee authorized the appointment of an allotment study committee to review the procedures now being used and to present to the producer steering committee their findings and recommendations for improvements in the system.

The study committee was chaired by Cecil Williams, executive vice president of the Agricultural Council of Arkansas, and included members from the States of California, Arizona, Texas, Oklahoma, Louisiana, Mississippi, Alabama, and North Carolina. Technical advice was provided by ASCS, USDA and the National Cotton Council staff.

The results of that study were presented to the producer steering committee in Dallas on June 1 and 2 at the meeting with officers and

executives of cotton producer associations representing all regions of the cotton belt. Fifty-four industry leaders, including spokesmen of more than two dozen producer associations, debated the issues for 2 days to arrive at an agreement we believe is fair for producers, consumers, and the taxpayer.

In general, Mr. Chairman, our recommendations build upon the provisions adopted for feed grains and wheat by the House Committee on Agriculture, and for cotton, feed grains and wheat in the Senate bill S. 275.

In our judgment, the program will treat all farmers equitably—regardless of the area or State in which their farms are located. The cost of the program to taxpayers, we believe, will be generally lower than any other version being considered by the Congress. Our program will provide for a minimum of Government interference with farmers' planting decisions. We still would maintain the producers' freedom to plant for market.

At the same time, our recommendations provide a much broader and more equitable coverage for those producers suffering disastrous crop losses due to drought, flood, or other conditions beyond the farmer's control than that provided by the Agriculture and Consumer Protection Act of 1973.

Specifically, we recommend that section 103(e) of the Agricultural Act of 1949, as amended, containing those provisions of law by which we have determined national and farm cotton allotments in the past, be further amended to provide that:

The Secretary of Agriculture shall announce a national program acreage—allotment—for upland cotton not later than December 15 of the calendar year preceding the year for which the allotment is to be effective. The allotment shall be the harvested acreage which the Secretary determines will produce the quantity of cotton needed to supply domestic and export markets, less imports of raw cotton, and maintain adequate but not excessive carryover stocks.

The announced program acreage shall be the acreage on which producers are eligible for payment the following year, if the average price received by farmers for their cotton sold during the calendar year is less than the announced target price for that year.

In the event deficiency payments are required—and we sincerely hope that never happens, Mr. Chairman—an allocation factor—not to exceed 100 percent—shall be determined by dividing the national program acreage announced on December 15 by the number of acres of cotton which the Secretary estimates will be harvested for such crop year. We recommend that no minimum or lower limit be placed on the factor.

The individual farm program acreage on which a producer is eligible for payment shall be determined by multiplying the national allocation factor by the acreage of cotton planted for harvest on that farm.

Notwithstanding the above, the acreage on which a producer is eligible for payment shall not be further reduced by application of the allocation factor if the producer had already voluntarily reduced plantings from the previous year's plantings on that farm by the percentage recommended in the Secretary's announcement of the national program acreage.

Yields for payment purposes for a farm shall be the average of actual yields produced on that farm during the immediately preceding 3 years, as adjusted by the Secretary to correct for abnormal factors affecting such yields during the 3-year period.

If because of drought, flood, other natural disaster, or condition beyond the control of the operator, a cooperating producer is unable to harvest at least 75 percent of the program yield established for the farm from the acreage planted for harvest in the current year, the Secretary shall make a farm disaster payment to the producer on the total acreage planted for harvest at a rate equal to one-third of the target price for the deficiency in production below 75 percent. If producers are prevented from planting cotton or any other non-conserving crop in lieu of cotton, disaster payments shall be made on the smaller of the intended plantings or the acreage planted in the previous year.

No limitation shall be placed on any payment which represents compensation for a disaster loss. Disaster provisions should extend for the entire life of the bill.

We believe, Mr. Chairman, that in most years market prices can and will influence plantings of cotton enough to keep supply in line with demand, particularly so if the extended loan and special import quota provisions included in the House Agriculture Committee bill and S. 275 become law.

In the event, however, that cotton is temporarily overproduced, we recommend the Secretary be given authority to curb production in two ways: First, by a continuation of the present set-aside program; and, if that is insufficient, by the authority to limit plantings.

We therefore recommend that:

The Secretary shall provide for a set-aside of cropland if he determines that the total supply of cotton, in the absence of such a set-aside, likely will be more than adequate to supply domestic and export markets and to maintain reasonable carryover stocks.

If a set-aside program is in effect, then as a condition of eligibility for loans and payments, the producers must set aside and devote to approved conservation uses an acreage of cropland equal to such percentage of the current year's cotton acreage planted for harvest as may be specified by the Secretary—not to exceed 28 per centum of the cotton acreage planted for harvest in the current year.

The Secretary may permit, subject to such terms and conditions as he may prescribe, all or any of the set-aside acreage to be devoted to sweet sorghum, hay, and grazing, or to the production of other crops which are not in excess, if he should determine that such production is needed to provide an adequate supply is not likely to increase the cost of a price support program and will not adversely affect farm income.

If the Secretary determines that stocks will likely be excessive and that a set-aside program will not achieve the necessary reduction, then he may limit the acreage planted to cotton on a farm to a percentage of the highest planted acreage of cotton on that farm in one of the past 5 years. A producer who fails to comply with such acreage restriction shall be ineligible for loans and payments on that farm for that year's cotton crop.

Our final recommendation, Mr. Chairman, is that upon expiration of this law—and in the absence of new legislation extending or revising allotment procedures—that State, county, and farm allotments be based on the 1977 allotments now in effect.

I appreciate the opportunity to present the producer steering committee's recommendations. I will be delighted to answer any questions you may have concerning this testimony.

Mr. BOWEN. Thank you, Mr. Leggett.

I want to thank you and all of the members of the producer steering committee for the hard work you put in, in order to come up with this agreement in such a swift manner.

I want also to congratulate Jack Stone who is our next witness. Mr. Stone, we will be happy to have your statement now.

STATEMENT OF JACK G. STONE, PRESIDENT, NATIONAL COTTON COUNCIL OF AMERICA

Mr. STONE. Mr. Chairman and members of the committee, my name is Jack G. Stone. I am a cotton farmer in the San Joaquin Valley of California, and serve this year as president of the National Cotton Council.

I appear today for the council, which represents all seven segments of the American cotton industry—producer, ginner, warehousemen, merchant, cottonseed crusher, spinner, and cooperative—from Virginia to California.

I, too, wish to express appreciation to Chairman Bowen and the members of this committee for delaying action on changes in the cotton allotment system until the industry could develop its own recommendations on this issue. This is a most complicated and technical issue for cotton farmers, involving major considerations that had to be thought through with the greatest care.

At our last annual meeting in Orlando—on January 30 to be exact—the question of updating allotment procedures was discussed at length by the council's board of directors acting as a resolutions committee. The board, recognizing that the producer steering committee had plans to initiate a study as soon as possible after the meeting, refrained from making any recommendations for change at that time. Subsequently, in its regular spring meeting which was held here in Washington, the board authorized a mail referendum of the delegate body of the council with recommendation that the delegates support the producer segment in its position.

Mr. Leggett has just given you the report of the study committee and the position which was later adopted by the producer steering committee. The mail ballot of the delegates, which required a majority affirmative vote from each of the seven segments, overwhelmingly approved support of the producers' position.

The council, therefore, is in accord and fully supports the position of the producer steering committee.

Speaking for the council, therefore, we endorse the statement presented by Mr. Leggett, and urge adoption of H.R. 7855, which incorporates the producers' recommendations be enacted into law.

Thank you.

Mr. BOWEN. Thank you, Mr. Stone. We appreciate your being with us. If both of you will stand by, we want to call our witnesses for questioning when we have completed the testimony.

Also, I would say that on behalf of all of the members of the committee, the subcommittee, and a great many others in Congress whom I have talked to, I want to congratulate the National Cotton Council for the outstanding job it has done this year in arriving at a very, very impressive consensus of all of your members as to a farm program. It has made our job in the committee a great deal easier, and I am sure that it will do so on the floor.

We are very pleased and very proud of the kind of work that you have done this year.

Now I would like to call on Dr. Howard Hjort, who is the Director of Agricultural Economics, Policy Analysis and Budget for USDA. Dr. Hjort will be the administration's witness this morning.

**STATEMENT OF HOWARD W. HJORT, DIRECTOR OF ECONOMICS,
POLICY ANALYSIS AND BUDGET, U.S. DEPARTMENT OF AGRICULTURE**

Mr. HJORT. Thank you, Mr. Chairman. The Department of Agriculture appreciates the opportunity to appear before this subcommittee in basic support of H.R. 7855.

We want to commend the chairman and the committee for the introduction of this legislation because it eliminates several of the inequities of the present cotton disaster payment program, eliminates antiquated allotments, and moves to establish producer protection on the basis of current plantings.

This bill encompasses needed reforms which will provide a fiscally sound and economically beneficial program.

As the chairman and members of this subcommittee are aware, the Department of Agriculture does have under intense review all crop disaster programs. We intend to propose a comprehensive insurance program to protect all commodity producers. For this reason, we would prefer that the bill's provisions relating to disasters be extended for only 1 year instead of for the full 4-year life of the legislation. However, I recognize that the bill that has been passed by the committee does provide authority for 4 years.

We favor excluding cotton disaster payments from the payment limitation—as the bill before you does—and we would like to see title I of H.R. 7171 amended to provide that provision to all crops.

Under this bill, the national program acreage must be determined and announced no later than December 15 of the year preceding the year for which such acreage is established. From a practical standpoint, this will mean that program acreage will be determined on the basis of estimates made nearly 8 months before the beginning of the marketing year, and almost 20 months before the conclusion of the marketing year for which it is applicable.

We would ask the committee to consider modifying this provision to the extent that the program acreage should not be determined until it is definitely known that a deficiency payment is needed. However, if it is necessary to have a specified date, the Department of Agriculture would prefer January 30 since this would enable us to have the planting intentions report for the year of concern in hand.

The bill also provides that the farm program payment yield is to be determined on the basis of actual yields for the preceding 3 years, with adjustments for actual conditions. Mr. Chairman, our preference concerning this provision is for the language in H.R. 7171 with respect to wheat and the feed grains.

The requirements placed in this legislation on the maximum 28 percent set-aside requirement under nearly every condition seems most generous. We do not foresee that that would be an effective constraint. But, if we are to have a series of farm programs which truly work in the best long-term interests of producers and our agricultural industry, the Secretary of Agriculture should have the authority for an even larger set-aside requirement if it should become necessary. Broader authority is contained in the wheat and feed grain titles of H.R. 7171 which permit basing the set-aside requirement on a percentage of either current year or prior year plantings.

As the committee knows, the bill before you provides for current year plantings only.

The bill also provides that the Secretary may limit the acreage planted to cotton to a percentage of the highest planted cotton acreage, including acreage not planted because of adverse conditions, in any one of the preceding 5 years.

Our concern with this section is a relatively small one, Mr. Chairman. Should an acreage limitation become necessary, it would be very difficult to determine the needed limitation under this provision. We are also concerned from a bookkeeping standpoint that a 5-year planted history for every farm could put an unnecessary burden on the farmer and the ASCS office.

In addition to the obvious reasons, the language in H.R. 7171 which refers to the prior year is more easily administered. An alternative that the Department could accept is a provision that this be based upon acreage in years subsequent to 1977.

We do think that the proviso of section 2, part D in this bill, referring to arbitrary restraint on program acreages, does have some merit in application to H.R. 7171. It is my personal opinion that this legislation is a much-needed improvement.

Attached to my statement is a table which shows Government cost estimates under this bill, assuming other provisions of H.R. 7171 are adopted. You will notice that the cost estimates associated with this bill are lower than those in the present provision.

[The table referred to above appears on p. 43.]

The Office of Management and Budget has also advised us that there are no objections to the presentation of this report and that enactment of this legislation would be in accord with the President's farm program.

Once again, I want to commend the chairman for introducing this bill and to commend the producer-representatives of the National Cotton Council for the sound reasoning and input which they provided in supporting needed changes in basic cotton legislation.

That concludes my statement, Mr. Chairman. I should be pleased to answer any questions which you or the committee members may have.

Mr. BOWEN. Thank you, Dr. Hjort. If you have the time to stay with us for a little while, we would like to have the remainder of the testimony and then ask questions.

I am, of course, especially pleased that the administration has pointed out that we have a bill that is highly acceptable to the cotton industry and will also cost the taxpayers less money. It is always nice to have both of those.

I would like to point out also to the members of the committee that Dr. Hjort was present in Dallas for the deliberations of the producer steering committee during most of the time they met there and had an opportunity to share his advice and counsel with the producer steering committee and to help them arrive at their conclusions.

Dr. Hjort, I am pleased that your statement does reflect a very reasonable and sound flexibility on the part of the Department and the administration in accepting the principles of a piece of legislation that is not precisely what the administration reflected, but which accomplishes the basic goals.

At this time I would like to welcome Mr. Robroy Fisher, who is president of the Delta Council of Stoneville, Miss. He will be accompanied by Mr. B. F. Smith, the executive vice president of the Delta Council.

STATEMENT OF ROBROY D. FISHER, PRESIDENT, DELTA COUNCIL

Mr. FISHER. Mr. Chairman and members of the subcommittee, my name is Robroy Fisher. I am a cotton farmer from Washington County, Miss., and am serving as president of Delta Council, an organization representing the 18 delta and part-delta counties of Mississippi. This area produces more than two-thirds of the cotton grown in Mississippi; and income from cotton is of major importance to our economy.

Thank you for the opportunity to present our views. We wish to express appreciation to the Cotton Subcommittee and to the entire House Agriculture Committee for your consistently constructive approach to the problems of the cotton industry.

First, we wish to endorse the statement presented by the chairman of the producer steering committee. While we certainly recognize the need to update cotton allotment provisions and procedures with the objective of bringing them more in line with current production patterns, quite frankly, we had grave reservations regarding the advisability of simply basing allotments on current year plantings.

Also, we cannot accept the philosophy that all crops should operate under identical procedures and regulations. There are big differences in crops; and, while programs should have similar objectives, these basic differences must be recognized if programs are to be successful.

We believe, however, that the recommendations of the producer steering committee take these needs into account and reconcile what could have been a serious split in cotton producer viewpoints between different sections of the cotton belt. The recommendations, as presented by Mr. Leggett, are constructive and we urge your approval.

There is one addition that we wish to recommend—the addition of a proviso establishing a minimum national program acreage—allotment—of 10 million acres.

The current law provides for a minimum national allotment of 11 million acres. Prior laws have provided for minimums of 10 million

or more acres. The Agricultural Act of 1970 provided a minimum national allotment of 11,500,000 acres for 1971 and specified that the allotments for 1972 and 1973 should be in such amounts as to maintain adequate supplies.

Mr. Chairman, with current supplies of cotton at extremely low levels, we would not anticipate that the Secretary—even in the absence of a minimum—would in the foreseeable future announce a national program acreage for cotton of less than 10 million acres.

The fact remains, however, that the broad powers provided for program administration under this new program could be used to establish a national program acreage at an unrealistically low level and to enforce strict compliance. Such action would be very disruptive and this is one of the reasons that we believe a minimum national program acreage of at least 10 million acres is necessary.

Another reason is that the announced national program acreage for U.S. upland cotton will be interpreted by other cotton producing countries as an indication of U.S. cotton production goals and intentions. An unrealistically low national program acreage for U.S. cotton, announced by December 15, would serve as a signal for acreage expansions in other cotton producing countries and could jeopardize export markets for U.S. cotton.

Finally, our domestic mills are the best and most reliable customers for our cotton. If it appears that the policy of our Government is to cut production to an unrealistically low level in this country, we can expect further erosion of our domestic markets to manmade fibers.

In closing, I wish to emphasize the fact that an adequate supply of cotton is of major importance to the future of the U.S. cotton industry. Without an adequate supply, we cannot even hope to hold, much less to expand, markets. We believe that a 10 million acre minimum national program acreage would help safeguard an adequate supply, and we respectfully urge that this minimum be included.

Thank you again for this opportunity to present our views.

Mr. BOWEN. Thank you very much, Mr. Fisher. I believe you have a statement as well, Mr. Smith.

STATEMENT OF B. F. SMITH, EXECUTIVE VICE PRESIDENT, DELTA COUNCIL

Mr. SMITH. Mr. Chairman, I don't have a prepared statement, but I would just like to point out and to emphasize the necessity for maintaining an adequate supply.

The other portions of the bill that have already been approved by this subcommittee went to great length and into great detail in trying to establish a marketing mechanism through which we could possibly solve the dilemma we had of wide swings in cotton price and supply.

We recognized the instability of the situation that we have had in the past. One of the primary objectives of the cotton program this year is to inject into it a greater measure of stability. And the extended loan concept through which farmers may spread their marketing over a longer period of time, is, we think, a big step forward.

But we think, as a corollary to this, that we do need the safeguard of a minimum. And the 10 million acres would be 1 million less than we have this year. We do not see that it would be anything but a safeguard.

I would like to express the fact that the other cotton producing countries of the world watch us very closely. They do not understand the mechanisms of our production programs as they change from time to time. But whatever is announced—or is not announced—will have an impact. And if we do announce a very low program acreage, it will certainly be interpreted by them as a signal of our intentions.

And if we cut back, they will increase. And we will continue to be the residual supplier in the world market. We don't think that we can have a cotton industry with any stability and any degree of prosperity if we try to continually short the market and bull the price.

Price is important. We need a competitive price. But we also need stocks of cotton so that we can fill demands and fill markets. But you can't do business out of an empty wagon. And we think that the minimum will help to provide this facility that is so greatly needed.

MR. BOWEN. Thank you, Mr. Smith. I would point out to the members of the subcommittee that this particular issue which you and Mr. Fisher have raised was not dealt with at the Dallas meeting of the producer steering committee, but it is one that the subcommittee may want to consider.

MR. SMITH. This is correct, Mr. Chairman. I did mention it in passing with some other things, but, quite frankly, I forgot to go back to it. It was not discussed. I guess we were all trying to catch airplanes. We were so delighted that we had reached an agreement.

I would say one other thing about these agreements which we have reached—which in itself was almost a miracle. It is a lot easier for producers to come together and reach agreement when the price is favorable. Now if we get into a situation of a very unfavorable price, then I am not so sure that we can reach these agreements so readily in the future.

MR. BOWEN. I am just happy that we can be marking up a 4-year farm bill right now in light of that situation. And, of course, as I have indicated all along, the bill which I introduced, which is dealing with allotments, is a working vehicle for us. And we are having these hearings so that you may come forward and present some critique or analysis of the conclusions reached by the producer steering committee.

And if there is some observation that you might have arrived at after those deliberations were concluded, this, of course, is the time and place to put them before the subcommittee so we can deal with them at the time of our markup.

Let me mention also at this point that after consultation with committee staff, we have decided to have our markup at 10 tomorrow morning instead of at 10:30. The general farm bill, H.R. 7171, will be presented to the Rules Committee tomorrow morning at 10:30.

And since a number of staff counsel will have to be there, we would like to begin our markup promptly at 10. And hopefully, it will not take very long and will give us a little bit of an advance over the beginning of the presentation to the Rules Committee.

Thank you very much, Mr. Fisher.

At this time I would like to yield to my very good friend, the gentleman from Tennessee, Mr. Jones, the ranking Democratic member of this subcommittee and chairman of the Conservation and Credit Subcommittee of the Committee on Agriculture, to introduce our next witness.

Mr. JONES of Tennessee. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, it is a real pleasure for me to have the privilege of being on this subcommittee. I enjoy it very much.

All of the gentlemen who are witnesses this morning are good, close, personal friends of mine. I appreciate the fact that they took the time out to be here.

We have one witness from my State of Tennessee, Mr. Wayne Griggs, who is the president of the Tennessee Agricultural Council from Humboldt, Tenn. He is accompanied by his son Bobby. They have a father-son combination of farming in Gibson County and Crockett County.

Wayne is always dependable. We can always expect him to be here when he is needed.

Mr. Chairman, with that, I would like to present Mr. Wayne Griggs and his son Bobby.

Mr. BOWEN. If you will come forward, Mr. Griggs, we will be happy to have your testimony.

STATEMENT OF WAYNE GRIGGS, PRESIDENT, TENNESSEE AGRICULTURAL COUNCIL

Mr. GRIGGS. Mr. Chairman and members of the committee, my name is Wayne Griggs, and I am a cotton farmer and ginner from Humboldt, Tenn. I also serve as president of the Tennessee Agricultural Council and as chairman of Tennessee's producer delegation to the National Cotton Council. As such, I represent Tennessee cotton farmers on the producer steering committee of the council.

I believe that H.R. 7855, introduced by Chairman Bowen on June 17, and which is serving as the basis for these hearings, will be good for the cotton farmers of Tennessee. Updating of cotton allotments has been long overdue. For many years now, those of us who wished to increase production of cotton in our communities have had to travel to areas where cotton is no longer planted to buy or lease allotments to cover our plantings. Allotments have changed little in our State since 1958; and in almost 20 years, planting patterns have changed.

This bill, in my judgment, is fair to all growers. Producers who want to plant cotton and believe they can do so profitably have that right. If we can make greater profit from soybeans or corn, we can switch to those crops without fear of losing history credits and having future allotments reduced. We believe in market-oriented farm programs, and this bill will give Tennessee farmers greater opportunity to plan crops for the market.

We are especially interested, Mr. Chairman, in that provision of the bill which provides that if and when cotton stocks are excessive, those of us who voluntarily reduce plantings from the previous year by the percentage recommended by the Secretary in his announcement of the total national program acreage shall be protected from further reductions by application of an allotment factor.

For example, if the Secretary recommends a 10-percent cut and if I reduced my planted acreage by 10 percent, then I should not be penalized for the overplants of others if it is later found that the national program acreage was exceeded. We believe this is simply equity and most important that it be included in the bill.

I fully support and endorse the testimony given here today by Hoke Leggett, chairman of the producer steering committee. And, we appreciate the opportunity to add our views.

Thank you very much.

Mr. BOWEN. Thank you very much, Mr. Griggs. We are very happy to have you with us today.

Now, I would like to call on Mr. Cecil Williams, executive vice president of the Agricultural Council of Arkansas, which is headquartered in West Memphis, Ark.

**STATEMENT OF CECIL WILLIAMS, EXECUTIVE VICE PRESIDENT,
AGRICULTURAL COUNCIL OF ARKANSAS**

Mr. WILLIAMS. Thank you, Mr. Chairman.

My name is Cecil Williams. I am executive vice president of the Agricultural Council of Arkansas. The council serves the interest of commercial farmers who till the alluvial lands of eastern Arkansas, and has been doing so since 1939. I appear here on behalf of council members who are vitally interested in the allotment system for cotton.

Mr. Chairman, the Agricultural Council is in full support of the statement presented by Mr. Leggett on behalf of the producer steering committee of the National Cotton Council. We helped develop that policy.

The present allotment system has served Arkansas well. However, several months ago some of our friends from other sections of the Cotton Belt called to our attention some of the inequities and potential inequities of the present system and recommended changes.

Although we are not ready to endorse a hasty revision of the allotment system, we recognize the validity of the arguments specifying the need for change. We, therefore, supported the formation of a committee to study the allotment system as put forth by the producer steering committee.

I was privileged to serve as chairman of the cotton allotment study committee, appointed by Mr. Hoke Leggett, chairman of the producer steering committee. The study committee was made up of a highly capable group of individuals from all sections of the Cotton Belt who were intent on finding a fair solution to the allotment problem.

The committee met over a 2-day period and delved into every facet of allotments that any member could think of. The group developed four major allotment alternatives. They were a system based on current year's plantings; a moving 3-year average similar to that recommended by the grains and livestock subcommittee for wheat and feed grains; a system requiring the planting of 75 percent of the allotment every 3 years in order to maintain the full farm allotment; and, of course, continuation of the present system.

The Agricultural Council of Arkansas Board of Directors found two of these alternatives to their liking—the moving acreage concept and a system based on current year's plantings. The council board liked the same things about the moving average that the grains and livestock subcommittee liked. It is a great aid in planning to know ahead of time what the allotment will be.

In spite of the appeal of a moving average, a system based on current year's plantings with the refinements adopted by the producer

steering committee, would be the most equitable system for Arkansas; and, in our opinion, for the entire Cotton Belt.

An absolutely essential prerequisite for an allotment system based on current year's plantings to work on an equitable basis for Arkansas and the Midsouth is the proviso adopted by the steering committee which would limit the Secretary's authority to restrict acreage to a percentage of the maximum acreage planted on the farm for harvest during the preceding 5 years.

The farm bill reported by the House Agriculture Committee, as applied to wheat and feed grains, would permit the Secretary to restrict plantings to a percentage of the acreage planted on the farm for harvest during the previous crop year. The Senate bill would simply allow the Secretary to restrict plantings. Should the language in the House committee bill for wheat and feed grains become law, it could be disastrous for Arkansas and the Midsouth.

Since passage of the 1973 Farm Act, Arkansas farmers have freely switched back and forth between three basic crops—cotton, soybeans, and wheat. Passage of the 1976 Rice Act added a fourth alternative. Some Arkansas farmers have gone 2 or 3 years without planting any cotton. I know a farmer in my county who planted no cotton in 1975 or 1976, but who has planted 700 acres in 1977.

Had a cotton law with the wheat and feed grains language pertaining to plantings been in effect for 1977 and had the Secretary chosen to restrict plantings, this farmer would have been precluded from cotton program benefits. A law that would allow the Secretary to restrict plantings to a percentage of the previous year's plantings would be extremely unfair to those areas such as ours that switch back and forth between crops for economic reasons.

We would also like to point out that those locations which are able to switch back and forth between alternative crops make a large part of the adjustment in the production of cotton when the price drops. This benefits those regions that have few alternatives to cotton.

We think the producer steering committee recommendation on set-aside is a sound one. A set-aside of more than 28 percent could bring economic disaster to communities with concentrated cotton acreage. And the recommendation that set-aside be based on current year's plantings would be the most equitable for farmers all across the country. It would be easy to calculate and would make planning very easy as regards set-aside. Any farmer you talk with can tell you that the fairest and simplest way to base set-aside is on current plantings.

Mr. Chairman, we think all the proposal suffered by the producer steering committee would lead to a sound cotton allotment system. They were carefully worked out to recognize the peculiar problems of various regions of the belt. It is very important that all the recommendations be incorporated in a new allotment system in order to maintain equity between regions. Some of these points are compromises reached after thorough debate.

Mr. Chairman, we would like to compliment the steering committee on developing such a sound set of recommendations. We feel the committee acted in a mature and responsible manner to solve a problem that had become serious for some sections of the belt. We endorse the proposals in their entirety.

Thank you for hearing our views.

Mr. BOWEN. Thank you very much, Mr. Williams. We appreciate that careful analysis, and we look forward to talking with you later.

Now I would like to call on Mr. Jack Francis, chairman of the board of the Arizona Cotton Growers, Peoria, Ariz.

I had an opportunity earlier this year to visit with the Arizona Cotton Growers and to meet, at the same time, with a good many California growers and to talk to them about their problems and their perspective. And since I am from another section of the country, I am very pleased that I had that opportunity to see some of our western cotton production.

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

STATEMENT OF JACK FRANCIS, CHAIRMAN OF THE BOARD, ARIZONA COTTON GROWERS

Mr. FRANCIS. Thank you, Mr. Chairman.

I am J. S. Francis, Jr., from Phoenix, Ariz. I appreciate the opportunity to appear before this subcommittee on behalf of the Arizona Cotton Growers Association as chairman of the board, and as the national chairman of the national legislative committee of that organization.

Arizona is a cotton State. Cotton is our most valuable crop. Last year we produced nearly 900,000 bales, which accounted for almost 40 percent of Arizona's total crop value. The membership of the association produces about 95 percent of all of the cotton grown in our State.

As you can readily see, our cotton growers are vitally concerned that the cotton industry of this Nation remains a viable industry. We are probably more concerned than many other production regions because we do not have the alternative field crops that many other producing areas have. The wondercrop—soybeans—cannot successfully be harvested in our area because of the low humidity which causes shattering of the bean pods.

Generally speaking, we have liked most of the cotton provisions of the current legislation which expires with the 1977 crop. We have appreciated the freedom we have had these past few years to make our cropping plans in the absence of Government controls of previous programs.

We no longer have large surplus supplies, and our producers are receiving their income from the marketplace and not from Government programs. We are making our cropping plans based on signals from the market rather than from the Government loan rate or target price. We think this is as it should be.

We are most anxious to see legislation continued that keeps large Government expenditures out of the program.

In analyzing the need for new legislation, beginning with the 1978 crop, we realize that no Government farm program has been or ever will be perfect. This is because of the differences between the various producing regions. What is perfect as far as I am concerned might be totally unacceptable to producers in another area of the cotton belt. Any program on which the various producing regions agree must be a compromise on various opinions throughout the industry.

Our representatives participated in the industry's compromise for new formulas to determine loan and target levels, and we have supported that compromise. We are concerned, however, that the loan rates and target prices set under those formulas may result in levels that would encourage producers to plant for program benefits and not for the market. If this, coupled with several years of good weather, should happens, we would find ourselves again with the surplus supply problem of the 1950's and the 1960's.

History has shown us that when our loan rate is too high, it places too high a price floor under world prices, which also causes our foreign cotton producing competitors to over-produce. I hope we do not have to learn that lesson over again.

With regard to cotton acreage allotments, we are in complete agreement with the action taken by the National Cotton Council's Producer Steering Committee at its meeting earlier this month in Dallas. It is obvious that the old, outdated, traditional acreage allotments have outlived their usefulness. I am sure the committee realizes this.

The concept of replacing the traditional allotments with current plantings is sound. It is fair to all concerned, and it should result in saving some administrative costs for taxpayers.

We do not share the opinion of some of our colleagues, however, that the Secretary of Agriculture should be limited through legislation in the determination of acreage or program allocation factors. We do not believe that these or other Federal limits should be placed on the Secretary to prevent him from taking needed actions if our formulas for determining loan and target levels should result in program benefits so lucrative that farmers would produce burdensome surpluses for program benefits rather than for the market. If we place such limitations upon the Secretary, we could find ourselves wishing we had not at some later date.

The other actions taken by the producer steering committee—recommending changes in S. 275 as it applies to cotton—appear to be reasonable and should be incorporated in the legislation.

Mr. Chairman, I am hopeful that this committee will recommend what the cotton industry is unanimously endorsing, and that they will make their best efforts to see this enacted into long-term legislation.

Mr. BOWEN. Thank you very much, Mr. Francis. We appreciate your traveling the distance to be with us today.

I would now like to call upon Mr. Bill McFarlane who is president of the Western Cotton Growers Association, headquartered in Clovis, Calif.

The Western Cotton Growers as most of you know, represent the State of California. I had a chance to visit with Mr. McFarlane and a number of other California growers on my western trip.

We are very happy to have you with us today.

STATEMENT OF WILLIAM McFARLANE, PRESIDENT, WESTERN COTTON GROWERS ASSOCIATION

Mr. McFARLANE. Thank you Mr. Chairman. I am a farmer from Clovis, Calif., and president of the Western Cotton Growers Association of California.

Our board of directors, at its last meeting, unanimously approved the farm allotment proposals adopted by the producer steering committee of the National Cotton Council on June 2, 1977, at Dallas, Tex. Those proposals subsequently became the official policy of the National Cotton Council.

We support them because we feel that they are progressive, timely and follow the recommendations made by the Secretary of Agriculture.

We hope that this program can, with the cooperation of the House and Senate Agriculture Committees, the Secretary of Agriculture and leaders of the cotton organizations, be enacted into law this year.

These proposals are in line with our long-time position that growers should be allowed to plant what they can grow best, and that the marketplace should determine the acreage and the price of cotton.

We feel that Government inducements to plant or not to plant cotton represent artificial and arbitrary restrictions on the operation of free, competitive agriculture.

We see no change in current planting patterns as a result of this proposed legislation. Under it, no grower will lose any allotment. Rather, he may gain in allotment. If he has a 50-acre allotment now and plants only 10, next year, if he wishes, he can plant 100 acres and get the payments. Or, he can plant none and lose nothing.

This program will also bring the cotton acreage legislation into line with that adopted by both the House and the Senate committees with regard to other crops included in that legislation. We feel that, as Dr. Hjort pointed out, this principle of uniformity in the programs is important. It encourages growers to shift from one crop to another in response to the market supply and demand situation rather than in response to a Government incentive or inducement in one particular field.

We wish to express our appreciation to you, Chairman Bowen, and to all of the members of the committee for moving forward with the cotton producers in this complex allotment issue.

We also wish to thank Jack Stone, president of the National Cotton Council, and Hoke Leggett, chairman of the producer steering committee and the staff of the National Cotton Council for guidance and leadership in bringing the cotton farmers of the belt together on this important issue.

We also wish to thank the Secretary of Agriculture and his staff for their courage and vision in proposing changes to the old, outmoded allotment system. We especially want to recognize Dr. Howard Hjort, who met with us in Dallas, for his skill and clarity in presenting the position of the Administration and the Secretary of Agriculture.

We urge immediate passing of this bill and its enactment along with current farm legislation.

Thank you.

Mr. BOWEN. Thank you, Mr. McFarlane. We appreciate very much your joining us today.

At this point, I would like to call on my very good friend, the distinguished vice chairman of the full Committee on Agriculture, who is with us in his youthful vigor and energy following recent surgery. We are delighted he is with us today.

I will now call on Bob Poage to introduce our next witness.

Mr. POAGE. Mr. Chairman, our next witness is a constituent of our good friend and colleague Mr. George Mahon. Mr. Mahon, of course, has some problems this morning—as the Appropriations Committee usually has—and couldn't be with us.

But I am pleased that I have the opportunity to present his constituent because he represents an area that produces more cotton than any area in the United States. There is no State in the Union that produces as much cotton as is grown on the high plains of Texas. And there is no area where cotton plays a greater part in the economy than it does around the city of Lubbock.

Don Johnson has represented that area before us in the past. I think most of you know him and that most of you have had an opportunity to deal with him and to know that he is a knowledgeable, creditable, and responsible representative of a great industry.

We are delighted to have Mr. Johnson to speak for the cotton-growers of the high plains of Texas.

STATEMENT OF DON JOHNSON, EXECUTIVE VICE PRESIDENT, PLAINS COTTON GROWERS ASSOCIATION

Mr. JOHNSON. Thank you, Mr. Poage. It is good to see you again, and I bring greetings from some of your constituents in the Blacklands area. They are having some problems there, but seem to be dealing with them quite well. We work very closely with them.

It is good to see you. I appreciate that introduction.

Mr. Chairman and members of the committee, I am Donald Johnson, executive vice president of the Plains Cotton Growers Association, and we are headquartered in Lubbock, Tex.

We appreciate very much this opportunity to voice the views of producers on the Texas High Plains concerning a change in the cotton allotment system.

Inasmuch as our organization wishes to endorse the position taken on allotments by the Producer Steering Committee of the National Cotton Council, I will not elaborate on the details of that position, and our statement therefore will be very brief.

Plains Cotton Growers took part in the development of the Producer Steering Committee proposal, as did others who have appeared here before you today. It is our belief that the current plantings concept proposed therein will best serve the interests of the High Plains of Texas and the entire cotton industry.

Since this concept has the full support of the Producer Steering Committee—and by consent, the support of the entire cotton industry from producers through finishers—we hope this subcommittee and the full House will give it preferential consideration in the same manner that the committees have considered our industry recommendations for other segments of the cotton program.

We recognize, as I am sure members of this committee recognize, that we are proposing to give the Secretary of Agriculture latitude and authority in matters of acreage allotments and production controls. This may be somewhat of a departure from the position taken by the industry when cotton programs were under consideration in past years.

While this is little more than a personal observation, I think many of us in the industry have come to realize over the years that we have no alternative to the passage of laws which do give the Secretary of Agriculture the discretionary authority he needs in order to achieve and maintain the delicate supply/demand balance necessary not only to market development in this country, but also to an acceptable volume of exports without a return to surplus stocks and grievously low prices.

I think we may have come to the conclusion, that is, that our best bet is to give the Secretary the tools with which to control production because there is no other way currently that production will be effectively controlled.

To me it is historically significant that we are not asking for a minimum or lower limit on the factor the Secretary may apply to planted acreage in determining allotments—nor did the Producer Steering Committee ask for a minimum on the national program acreage that is to be announced by December 15 each year.

But I would hasten to emphasize that our not asking for severe restrictions in this program does not indicate a lack of concern that the Secretary under certain conditions might take actions highly detrimental to the industry.

It is, instead, an indication that should the Secretary contemplate unwise actions, those actions can and should be forestalled by our own responsible counsel with the Secretary, with members of this subcommittee and with other knowledgeable Members of the Congress. And I sincerely hope and trust that our belief in this regard will prove to be in our own best interests.

The Producer Steering Committee, however, does seek to obtain in the language of the law two safeguards against undue hardship on individual producers.

The first would prevent the Secretary from further reducing the acreage on which a producer is eligible for payment if that producer voluntarily reduces plantings by the percentage recommended by the Secretary.

The second would limit the required set-aside acreage on any farm to 28 percent of the farm's planted acreage for the year in which the set-aside is to apply.

In our opinion, quite frankly, these are not provisions of maximum priority. In fact, we do consider them expendable if their deletion were necessary to the implementation of the current year plantings concept.

However—and I believe this was said already by Dr. Hjort—we do not think either or both of these provisions will significantly hamper the Secretary in making the program work to the advantage of producers, the industry and the Nation. So we feel they should be retained as in the Producer Steering Committee recommendations.

Mr. Chairman, again, we do appreciate the opportunity to express our views. We are grateful to you and the other members of this committee for their excellent cooperation with the industry on this and other matters of importance to all of us. We look forward to seeing a workable, mutually beneficial program enacted at an early date.

Thank you.

Mr. BOWEN. Thank you, Mr. Johnson. We appreciate having your testimony today.

At this point I would like to yield to my good friend and a very talented and hard-working member of this subcommittee, Mr. Jack Hightower of Texas.

Mr. HIGHTOWER. Thank you, Mr. Chairman.

As Mr. Poage introduced Mr. Johnson, I appreciate the opportunity to introduce Mr. Propst. Although he is not from my district, I had the privilege at one time of representing him when I was in the State senate. And he, as president of the Rolling Plains Cotton Growers, has a good many of his constituents who are in my district.

We are very, very pleased to have Mr. Herman Propst of Anson, who is president of the Rolling Plains Cotton Growers, to speak on behalf of his group.

Herman comes before the committee often and we are always glad to see him.

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

Mr. PROPST. Thank you, Mr. Hightower.

Mr. Chairman, I am Herman Propst. I am a cotton farmer from Anson, Tex., and president of the Rolling Plains Cotton Growers.

Mr. Chairman, we appreciate your action giving us an opportunity to contact our grower representatives on proposed allotment changes for cotton. It is true that a few of our numbers are opposed to everything. However, the majority of growers have expressed interest in the updating of allotments. Most believe that a new system should be used that would more accurately reflect actual planting practices.

We can support provisions that treat all farmers equitably. We would recommend that the Secretary of Agriculture announce a national allotment for upland cotton no later than December 15 of the calendar year preceding the year for which the allotment is to be effective. The national allotment should be an acreage that would produce enough cotton to satisfy our domestic and export demands plus a reasonable level of carryover stocks. Careful consideration should be given to volumes of imports of raw cotton, and this volume should be considered as a part of total domestic and export requirements.

The December 15 announced program acreage should be the acreage eligible for payment if the acreage price received by farmers is less than the announced target price. If deficiency payments are required, an allocation factor should be determined by dividing the national acreage by the number of acres of cotton the Secretary estimates will be harvested.

The individual farm acreage eligible for payment should be determined by multiplying the national allocation factor by the acreage of cotton planted for harvest on that farm.

If the producer has voluntarily reduced plantings from the previous year's plantings on that farm by the percentage recommended in the Secretary's announcement of the national program acreage, there should be no further reduction in acreage on which a producer is eligible for payment by the application of the allocation factor.

Yields for payment purposes for a farm should be the average of actual yields produced on that farm during the preceding 3 years, as adjusted by the Secretary to correct for abnormal factors affecting such yields during that 3-year period.

If, because of hail, wind, drought, flood, other natural disaster or condition beyond the control of the farmer, a cooperating producer is unable to harvest at least 75 percent of the yield established for the farm from the acreage planted for harvest in the current year, the Secretary should make a farm disaster payment to the producer on the total acreage planted for harvest at a rate equal to one-third of the target price for the deficiency in production below 75 percent. If a producer is prevented from planting cotton, a disaster payment should be made on the smaller of the intended plantings or the acreage planted in the previous year.

Disaster provisions should extend for the entire life of the bill and there should be no limitation placed on any payment which represents compensation for a disaster loss.

Set-aside of planted cropland and the authority to limit plantings should be a part of the law. We recommend that no lower limit be set on the national allotment. We are very concerned about overproduction of upland cotton and we believe that the Secretary must have the authority to curb overproduction. A buildup of stocks exceeding a 5-month carryover of stocks should definitely be viewed as an excess supply.

If a set-aside program is in effect, then, as a condition of eligibility for loans and payments, the producer must set aside and devote to approved conservation uses an acreage planted for harvest as may be specified by the Secretary.

If the Secretary determines that stocks will likely be excessive—and we recommend no more than a 5-month carryover supply—and if a set-aside program will not achieve the necessary reduction, then he may limit the acreage planted to cotton on a farm to a percentage of the highest planted acreage of cotton on that farm in one of the past 5 years.

Mr. Chairman, and committee members, I cannot stress too strongly that we Rolling Plains cotton farmers are very concerned about the probability of overproduction—and in the near term. Texas alone can, in almost any given year, produce 5 million bales of cotton.

We are limited in the number of different crops we can grow. We would encourage you to build into this bill features that would prevent a buildup of burdening surpluses of cotton. Surely the plight of the wheatgrower should warn us of the probable danger in cotton.

Thank you for the opportunity to present our views. I would be glad to answer any questions.

Mr. BOWEN. Thank you, Mr. Propst. We are very pleased to have you with us today.

Our final witness today will be Mr. Bryan Connell, who is representing the Louisiana Cotton Producers Association, of Newellton, La.

My colleagues Mr. Moore and Mr. Huckaby could not be with us at this particular moment this morning because of conflicts with other committee meetings. They asked me to extend their greetings to you and to all of the cotton producers of Louisiana.

STATEMENT OF BRYAN CONNELL, LOUISIANA COTTON PRODUCERS ASSOCIATION

Mr. CONNELL. Mr. Chairman and members of the committee, my name is Bryan Connell. I am a cotton farmer from Belcher, La. I am here to speak today on behalf of Louisiana cotton producers.

First of all, I want to thank the members of this committee for the leadership each of you has given to provide American agriculture an incentive to produce food and fiber so necessary to our Nation's economic health,

Cotton is most important to the economy of our State. And we are well pleased with the cotton provisions of the farm bill, which we know originated in this committee. Millions of dollars of income and many thousands of jobs are generated by the fiber in Louisiana alone. We know that a healthy and viable cotton industry serves the national interest.

We take pride in the fact that two of Louisiana's own—Huckaby and Henson Moore—serve on this committee. Again, we appreciate the work you are doing.

We believe that the bill H.R. 7855 that we are discussing today is further evidence of this committee's consideration of the industry. We believe it is a good bill, and one that will find favor with cotton producers in Louisiana and across the cotton belt.

The current system of establishing allotments has seen little change in the past 20 years, and needs to be brought more in line with farming practices as they exist today. In our judgment, H.R. 7855 will provide the necessary changes in an equitable and orderly manner, It will not add to Government costs, and will continue to allow farmers the freedom to plant for the market with a minimum of regulatory control.

We fully endorse the statement and recommendations of Mr. Leggett on behalf of the Producer Steering Committee of the National Cotton Council. We hope that H.R. 7855 can be enacted into law as written.

Thank you for the opportunity to present our views.

Mr. BOWEN. Thank you, Mr. Connell.

The final witness listed on the sheet, Mr. Bob Mullins, will not be with us today to represent the National Farmers Union. But he does have a statement which will become a part of the record at this point.

[At the time of printing the statement had not been received.]

Mr. BOWEN. I would also note that we would like to keep the committee record open until Friday of this week for anyone who has a further statement he would like to submit.

I have at least two letters here in my hand that will be made a part of the record if there is no objection. One is from Mr. J. Nelson Gibson, Jr., who is president of the North Carolina Cotton Promotion Association, Inc.

I will quote part of Mr. Gibson's letter. He says:

We are happy to go on record as being in support of the recommendation pertaining to cotton allotments as proposed by the Producer Steering Committee of the National Cotton Council.

We sincerely appreciate your consideration to the cotton industry in getting postponement by the House Agriculture Committee on action concerning cotton allotments until these recommendations were made to you as chairman of the Cotton Subcommittee.

I also have a letter from Mr. Wesley Wannamaker, who is chairman of the board of the Southern Cotton Growers, Inc. I will also quote a part of his letter.

He says:

As you know, our organization is the regional cotton producers association representing cotton farmers in Alabama, Georgia, North Carolina, South Carolina and parts of Florida, Tennessee, and Virginia.

He makes some personal remarks and then goes on to say:

As you know, the Producer Steering Committee of the National Cotton Council acted on this question in Dallas the first part of this month which resulted in an adoption of a modification of the Administration's proposal pertaining to cotton allotments.

Although Southern will not be testifying for or against the recommendations adopted by the National Cotton Council during your Committee's hearing scheduled for June 28th, we would strongly urge your Committee to consider and incorporate in any new legislation a floor under which the Secretary would be precluded from reducing cotton acreage under any new cotton program for any given year. We feel that this floor should be in the neighborhood of ten (10) to eleven (11) million acres.

He extends a sincere thanks and there are more personal remarks.

There may be a few other letters to be made a part of the record as well if there is no objection. But at this point, these letters will become a part of the record.

[The letters referred to above follow:]

SOUTHERN COTTON GROWERS, INC.,
Dahlonega, Ga., June 23, 1977.

Hon. DAVID R. BOWEN,
House of Representatives,
Washington, D.C.

DEAR MR. BOWEN: As you know, our organization is the regional cotton producers association representing cotton farmers in Alabama, Georgia, North Carolina, South Carolina and parts of Florida, Tennessee and Virginia.

First, I wish to express my sincere appreciation to you, personally, for your efforts which resulted in an opportunity for cotton producers across the belt to act on the question of up-dating cotton allotments.

As you know, the Producer Steering Committee of the National Cotton Council acted on this question in Dallas the first part of this month which resulted in an adoption of a modification of the Administration's proposal pertaining to cotton allotments.

Although Southern will not be testifying for or against the recommendations adopted by the National Cotton Council during your Committee's hearing scheduled for June 28th, we would strongly urge your Committee to consider and incorporate in any new legislation a floor under which the Secretary would be precluded from reducing cotton acreage under any new cotton program for any given year. We feel that this floor should be in the neighborhood of ten (10) to eleven (11) million acres.

Again our many sincere thanks for your leadership in Congress on behalf of our industry.

Looking forward to visiting with you again during my next trip to Washington.

Sincerely,

WESLEY K. WANNAMAKER,
Chairman of the Board.

NORTH CAROLINA COTTON PROMOTION ASSOCIATION, INC.,
Raleigh, N.C., June 23, 1977.

Hon. DAVID R. BOWEN,
*House of Representatives,
 Washington, D.C.*

DEAR MR. BOWEN: We are happy to go on record as being in support of the recommendation pertaining to cotton allotments as proposed by the Producer Steering Committee of the National Cotton Council.

We sincerely appreciate your consideration to the cotton industry in getting postponement by the House Agriculture Committee on action concerning cotton allotments until these recommendations were made to you as Chairman of the Cotton Subcommittee.

With appreciation always for your continuing strong support of the cotton industry.

Sincerely yours,

J. NELSON GIBSON, Jr.,
 PRESIDENT.

Mr. BOWEN. I think it is probably fair to say that in every compromise there is a little give and a little take. There are some who give a little more and some who take a little more, you might say.

I don't think it is any mystery to those present in the room—either those here at the rostrum or those in the audience—that certainly the adjustments that are reflected in this legislation are possibly more pleasing or exciting to our good friends from the West than perhaps to some others. Some of our Southeastern friends and Southern growers are perhaps less exhilarated about the compromise. But they, in the spirit of compromise and cooperation that has enabled the cotton council to be the strong, vigorous organization that it is and to come up with the strong legislative program that it has this year, have participated in this compromise and have agreed to it. And we are certainly very pleased to have their cooperation and support, along with that of all others in the cotton industry.

At this point, I would like to ask the witnesses to come forward to the witness table so that we might ask a few questions.

If I might exercise a very brief prerogative as chairman to initiate a question or two, I would like to ask Mr. Leggett and Mr. Stone if they might be prepared to comment on some of the qualifications contained in Dr. Hjort's testimony.

In the midst of all of this harmony and comity, let's see if we can't get a little disagreement. And I think that most of you heard Dr. Hjort's testimony.

Although Dr. Hjort indicated support for the legislation, he said, in the traditional manner that we naturally expect of the Department of Agriculture, that if they were doing it themselves they might do it a little differently.

If you could comment on Dr. Hjort's objections and to why you felt that you did not incorporate those into the final recommendations of the producer steering committee, I think it might be valuable to the members of the subcommittee.

Mr. LEGGETT. Mr. Chairman, I would be happy to comment on one or two of them and perhaps some of the others would add something else.

I was delighted to know that Dr. Hjort did not express strenuous objections to any of them. He said that they had some differences of opinion with them, but these, I presume, are not insurmountable.

First of all, the December 15 announcement of what the Department would think we needed in the ensuing year and the difficulties that they have with it deserves comment. Dr. Hjort, as has been noted, was in Dallas at our meeting and we discussed these things at length.

I recognize that this presents some problem to the Department. However, financing is a big part of farming. This is particularly true in this day and time in cotton production. And it is necessary, I think, for farmers to have an indication at least by December 15. There were many who were of the opinion that it should be announced even earlier than that.

We felt that December 15 was a compromise which was about as late as we could go. We recognize the January planting intentions, but we would hope that the Department might be able to push these planning intentions up a little bit if they need them in making the determination of December 15.

Also, in commenting on the 28-percent maximum set-aside, I would say that there are many small areas of cotton production in the country or across the belt. And we think that anything in excess of this would greatly disrupt the economy of local production areas where there is one or possibly two gins in operation. And if we eliminated more than 28 percent of the production in any one year in that area, we feel that it would just totally disrupt the cotton economy in that particular area and possibly result in the closing of some gins that we really don't need to close.

Perhaps somebody else would wish to comment on some other areas.

Mr. BOWEN. Dr. Hjort, do you wish to comment on those observations?

Mr. HJORT. If the chairman pleases, perhaps we could go on and see if there are other comments.

Mr. BOWEN. Then I will, at this point, simply move on through and allow the other members of the subcommittee to ask questions. Possibly in this exchange we will arrive at what the differences may be and see how we might be able to resolve them.

Mr. Jones, do you have questions?

Mr. JONES of Tennessee. Thank you, Mr. Chairman.

I must say that there are not too many questions to raise today because, for once in a lifetime, the cotton industry seems to be pretty well in agreement. And even USDA is pretty much in agreement with what the cotton industry wants.

I had a question which I was going to ask Dr. Hjort with reference to the December 15 announcement date. It seems to me that would cause a problem to some people, as Hoke Leggett said, in some planting areas of the country.

Also, I would like a little more discussion—although it was covered pretty well—on the 10 million minimum allotment. That was commented on by Mr. Francis who opposed it and by Mr. Fisher who supported it.

Is there anyone else at the witness table who would have anything else to say in that regard?

Mr. CONNELL. Mr. Chairman, we did not discuss this because we have not had a Louisiana Cotton Producers meeting. I did call six people yesterday afternoon when this came up, but I was only able to contact two of them.

We feel that there should be a floor which the Secretary could not go below. Now we are not taking a position of whether it is 9 million or 10 million—we could compromise at 9.5 million. But we definitely think that there should be a floor.

And in our short discussion yesterday evening, it was pointed out that since Congressmen change, we may have a different picture some 2 or 3 years down the road. So this is simply insurance.

We feel that if we dropped to 9 million acres that this is about as little as we can drop to and have good, viable cotton industry in the State of Louisiana.

Mr. JONES of Tennessee. So you actually support a floor of 10 million acres. Is that correct?

Mr. CONNELL. We could go for 9.5 million. I am not arguing the point here, but I would hate to see it go below 9 million. I would simply say that I do concur with the Mississippi Delta Council.

Mr. JONES of Tennessee. Does another State have a comment on this?

Mr. GRIGGS. I would say that Tennessee would support the Delta Council on the floor of 10 million acres.

Mr. JONES of Tennessee. Would any other State have a comment?

Mr. McFARLANE. Mr. Chairman, I would say, speaking for California, that it would be our position that we would support the representatives from Texas and from Arizona in that, as I understood those testimonies, there should be no floor on acreage under the national program.

We believe that the Secretary should have the discretion here so that the proper adjustments would be made in a timely manner and with the fewest artificial limitations built into the program so that it would be allowed to operate to achieve the adjustments that are required.

Mr. JONES of Tennessee. Is there any other comment?

Mr. SMITH. I would simply emphasize the fact that 10 million is 1 million less than we have now. And I cannot really imagine a situation where we would get down to where it would be less than 10 million and have any kind of a viable cotton industry.

I would just emphasize the psychological impact on the rest of the world and on our domestic mills of any stated program acreage of an unrealistically low level. I think this is the quickest way that we could work ourselves out of the cotton industry.

I think that we must give an indication that we are in the cotton industry today and that we intend to produce adequate supplies.

And when we fall short of this, I think that we are doing ourselves a great disservice.

I would not anticipate that this would be any problem for the Department. Certainly, the 11 million acres that we have had for the past years has not been and the 10.5 million and the 11.5 million that we have had in the past has not been.

In fact, I believe that practically every bill that this committee has written since World War II has had some type of minimum acreage. And we think that it would be in the best interest of not only the cotton producers, but of the cotton industry in general.

Mr. JONES of Tennessee. Thank you. Are there any others?

Mr. FRANCIS. Mr. Chairman, taking on B. F. Smith is similar to cutting one's wrists; but, in spite of that, I should like to remind the committee that if the cotton industry found itself in a position in which the set-aside was not reducing the acreage enough, we would find ourselves in a position where the market would be that the loan payments would be made to the producers for about a nickel per pound or perhaps 6 cents or 7 cents. Supplies would be building.

I think this would be one additional tool that the Secretary could use in order to bring about a balance of the amount of cotton needed in this country.

I recall well the decades of the fifties and sixties. And the analogy I use is that when you continue to produce cotton that is not needed, it is similar to drinking black Russians after midnight.

You may feel pretty good then, but you are surely going to have a hangover in the morning.

Mr. PROPST. Mr. Chairman, I also do not like the position of taking on Mr. Smith. But as Mr. Hightower knows, we live in "disaster alley." And when we compare the process of some of the few products that we can grow—wheat grain, and cotton—there are concerns.

And I am one that has been concerned, as some of my friends can tell you, with the possibility of overproduction for two years. When we are faced with the problem of producing \$2 wheat or 40-cent cotton—or whatever it happens to be—we lose less money on cotton than we do on wheat.

And, traditionally, farmers are in a situation where they have to farm. And most of them have commitments with machinery and land and other things so that they have to have that farm producing.

So we are very concerned about overproduction. We feel that the Secretary—even though most of the time we feel that he has a little too much latitude—needs some method whereby we can keep from having this excess supply of cotton.

Mr. JONES of Tennessee. Thank you, Mr. Propst.

Do you have anything to say in that regard, Dr. Hjort?

Mr. HJORT. First of all, I think we would agree that the chances of having a minimum allotment of 9.5 million or 10 million being restrictive are relatively low. But the unfortunate fact is that none of us can do a very good job of predicting what is going to happen in the future in terms of weather and other things.

And I suspect that if we had been sitting here 2 years ago talking about wheat that a fair number of people would have felt that there was no chance that we would be in the situation that we are today with respect to that commodity.

I think there are at least two other considerations to keep in mind with respect to this issue. One is the relationship to the other programs. This bill would bring cotton in under the same basic provisions with respect to current year acreage and doing away with the allotment that we have for the grains in the other program. And we don't have a minimum there.

So there is the question of the relationship to the other program and the flexibility that one may need.

The second consideration is that an arbitrary minimum, if one gets to that point, would simply mean, it seems to me, that we would be in a circumstance where the price was depressed. And it would aggravate our situation in that regard.

It may very well be that if we are getting into an excess situation—and I think we have experience on this—it is best to let the market forces do their work and not to have an arbitrary restriction there. Then we could get out of that situation and go ahead and have progress in the future.

So we would much prefer not to have a minimum acreage allotment or some arbitrary restriction such as that.

Mr. BOWEN. Thank you, Dr. Hjort.

At this point, I will call on the gentleman from California, Mr. Krebs.

Mr. KREBS. Thank you, Mr. Chairman.

Since I have not said anything this morning, I would like to take a couple of minutes to make a brief statement, if I may.

Mr. BOWEN. Certainly.

Mr. KREBS. Actually, the questions that I had in mind have been covered and there is no point in being redundant.

Let me preliminarily say that I certainly appreciate the fact, Mr. Chairman, that you have called these hearings today. This was consistent with a commitment that you made a couple of months ago when we took up this subject of allotments. And I am certainly very pleased that we now in fact have legislation before us which represents the administration's point of view and the point of view which I tried to get the committee to adopt when we discussed the farm bill.

I certainly share the views of those who feel that there should be a consistency between this program and the programs of other commodities. This is not for the sake of consistency, but because we should have learned something from the failures, if you will, of the fifties and the sixties, as was mentioned a couple of minutes ago.

So I want to congratulate not only you, Mr. Chairman, and the members of the committee, but all of the members of the industry who have worked out this compromise.

Indeed, this is a compromise. And I certainly hope that this love feast is going to be of a long duration because the industry, whether we like it or not, will probably face some years where things will not be as favorable as they are this year. And I certainly hope that the foundation which is now being laid will be of help to an industry in both good years and not so good years as well.

Mr. Chairman, let me just say in closing that I did not avail myself of the opportunity that you gave me to introduce two members from my congressional district who appeared here as witnesses. That would have been almost like introducing a father to a son—or vice versa.

If Jack Stone or Bill McFarlane still need introductions before this committee, then anything that I might say really wouldn't do them any good anyway.

I am very pleased to be able to participate in these proceedings this morning. I look forward to the adoption of your legislation, with some minor amendments possibly, and to making it a part of the farm bill.

Mr. BOWEN. Thank you.

I would like to say that the gentleman from California is one of those who is primarily responsible for the fact that we are dealing with this legislation today. It is, Mr. Krebs, by virtue of the fact that

you did bring this matter to the attention of the committee in its earlier deliberations which led to the commitment that I made to bring this matter up. And I am sure that this expedited the entire proceedings. So we certainly appreciate your participation in all of this.

I would now call on Mr. Poage.

Mr. POAGE. Mr. Chairman, I, like other members, want to congratulate you folks who worked on this bill and brought it about. I think that is good.

But there is one feature of it that disturbs me, however. If I were simply running for office, it wouldn't disturb me because it certainly gives a great deal to the people in whom I am interested. But that which disturbs me is this question of Government payments or Government guarantees to everybody that they are going to grow a full crop.

I never did believe that the Government had any obligation to guarantee that I was going to make my best crop every year; or, if I didn't make it, the Government would make up the difference.

To me, this bill pretty nearly does that.

I was reared in a rain deficient area. We have a drought every 2 or 3 years at least. And we all know that we are not going to grow the same amount every year. We all know there will be years when crops are going to be short. And we all know that in other years we will grow a big crop.

If the Government is going to guarantee me a full crop every year, I don't see much hope for the Government. I don't find any criticism from the standpoint of my farmers, but I find a whole lot of criticism from the standpoint of the Government.

If we are honestly trying to establish sound government and trying to establish a government based upon sound economics, we know that you cannot guarantee a 100-percent crop every year.

This bill guarantees 75 percent. So if you grow only 74 percent, the Government will then pay 75 percent of the difference. It guarantees 75 percent of 75 percent above.

To me, that is just a little rich. But if you want to give it to my people, we will accept it graciously and thankfully and will be appreciative of it.

But aren't you going to have a great deal of criticism from people in the corn areas and the wheat areas who, under the terms of the farm bill as it went out of this committee to the floor, will not be defined by law as suffering a disaster unless they have one?

They will not qualify unless they make less than one-half of a crop. Then if they do make less than one-half of a crop, that bill provides that they get 80 percent of the difference. We figure that they will have suffered something that is a disaster and that there ought to be some substantial help.

But it just seems to me that this bill is a little rich.

Do any of you wish to comment on that?

Mr. LEGGETT. Mr. Poage, may I respond to that for just a moment?

I certainly appreciate your position and, being from a rain grown area, I can share some of that concern with you.

However, I think this was a compromise with irrigation cotton growing areas. If they, due to the high cost of water, fall below 75

percent production, they have had a real disaster. And some of us in the rain grown areas may not have had a tragic disaster until we fall 50 percent below.

This bill actually, according to the Department, would cost less money than would the 80 percent of the target price to bring the producer up to 50 percent of his yield expectations. Here we would bring it up to 75 percent, but only at one-third—of 33 percent—of the target price.

So I think the projections are that this provision would cost less money than would the 50 percent at the 80-percent payment rate. And this was a compromise, I think, between rain grown and irrigated areas.

Mr. SMITH. Mr. Chairman, may I have a question?

Mr. BOWEN. Mr. Smith.

Mr. SMITH. The provisions of this law have been the subject of a lot of discussion. And in many people's minds these are more or less stopgap measures until some type of more effective program can be developed.

I believe the administration is looking closely at trying to develop a program along these lines.

Let me say that the National Cotton Council worked on this over a long period of time. And while we can talk a lot about a good, all-inclusive cotton program, something along this line is very difficult to design. I have hopes that one can be brought forward however.

Mr. Jones, I believe, has introduced a bill along the line of crop insurance. But I think that the bill is a vehicle which has a great deal of merit. It is more or less an enabling act. And really, we would not know until the regulations are written just exactly what the provisions, as they apply to the various crops, would be.

We have used the crop insurance in part of our areas for a long time. And quite frankly, the better producers just cannot afford to use crop insurance because they can have a disaster and still not go low enough to qualify to collect under the crop insurance features.

So we have high hopes. And when we do get something like this, I think it could well take the place of disaster provisions all together.

Mr. BOWEN. If the gentleman would yield. Am I correct in saying that these provisions are not new this year for cotton, but that these are the traditional provisions that we have had all along?

This is, of course, merely a continuation and is based upon the hope that the administration will come forward with a very comprehensive program. And whether this is a 1-year or a 4-year disaster provision, it would still be subject to revision by the consideration of this committee of a new disaster program.

Mr. POAGE. Mr. Chairman, that is exactly the point where I disagree. I think we all know as a practical matter that it is not subject to that kind of revision right now. I think the most forceful argument made this morning is that they are not going to cut down. I think that is really the crux of the whole thing.

When we set this thing in concrete and it sets, there is not going to be much chance of changing it. You are not going to write a new bill. That is the most wasteful thinking I have heard in a long time. You are not going to write a new bill that is going to take care of this thing with insurance. No; you are not going to do it.

And even if we did it, the people would not support it. I think we all know that. So I think that we know that today we are setting the guidelines for a good long time to come. And I am just suggesting that it seems to me that the committee should put in the bill a pretty sound and reasonable disaster provision.

I am not even suggesting that I want to oppose what you are suggesting here. I don't want to oppose it; I know what it means to my area. I have been there and I have seen those droughts. I know what can happen. And we are going to have them for years to come.

But I know that if the Government undertakes to guarantee me a full crop, it is taking a mighty broad and advanced Government intervention.

Mr. BOWEN. If the gentleman will yield, I would like to ask Dr. Hjort about this.

Mr. Poage has indicated that his farmers like the program and that the producers like it better. Mr. Leggett has indicated that it is going to cost the Government less money. And Mr. Poage has suggested that the Department is not capable of coming forward with a crop insurance program that will be accepted by this committee that will be attractive enough that we will be able to pass it into statute law.

I wonder if you might see fit to comment on some of these observations?

Mr. POAGE. May I first state that I don't want it to be said that the Department is incapable of coming up with a program. I only want to say that once we have given these benefits, you are going to find it extremely hard to take them away.

Mr. BOWEN. Of course, as we have pointed out, these are benefits that the cottongrowers have had all along. So it is just a continuation pending what we hope—both Mr. Poage and I—will be a program that the Department will be able to present to us which will be acceptable to a majority of this committee and the Congress.

We would appreciate your comments, Dr. Hjort.

Mr. HJORT. First, let me note that I did not make any explicit comments in my testimony about the terms and conditions. The reason was that those terms and conditions were consistent with the administration's proposal.

Second, I would point out that the Senate-passed bill, S. 275, provides for those terms and conditions with respect to the disaster program.

Third, though, I would point out that Chairman Poage was successful in convincing the full committee about the provisions that reduced the percent of production and increased the payment rate. And since he was persuasive on that, H.R. 7171 does have different terms and conditions than are in this bill that is under consideration by the subcommittee.

I would go on to say that the administration has engaged in two things that are related to this. The one which has been mentioned frequently is the question of looking at the entire question of insurance. And in connection with that, we are again reviewing the provisions.

Second, I would point out that we are also engaged in the task of trying to decide what the administration's position will be at the conference. We have not reached full agreement on this particular matter. But I can say that the administration is tending to lean

toward—in part—the terms and conditions that Chairman Poage has proposed.

In other words, his argument that the 75 percent may be excessive and that the payment rate may be too low in what we have proposed is bringing about another look at our original position.

Mr. BOWEN. For the benefit of members of the subcommittee, which provisions were in the Senate bill?

Mr. HJORT. The Senate bill carries the provisions that are in the bill being considered today for 75 percent and for one-third payment.

Mr. BOWEN. That was the initial administration proposal, was it not?

Mr. HJORT. That was the initial proposal by the administration.

Mr. POAGE. If I might interrupt—it won't make a bit of difference what the administration's position is if we pass the same provisions that are in the Senate bill. Then there isn't going to be any conference on that. And it will make no difference in the world what the position of the administration or anybody else is. If we have passed the same provisions that are in the Senate bill, there will not be any conference on that part of it.

Mr. HJORT. I was pointing out there that H.R. 7171, with respect to wheat and feed grain and the disaster program there, does have very different provisions than are in the subcommittee bill.

Mr. POAGE. It is very true that you will undoubtedly have a chance to go into conference and perhaps up the provisions of H.R. 7171. But if you pass this bill as it is written today, you are not going to have any chance to change it as it relates to cotton.

Mr. HJORT. That is true.

Mr. BOWEN. Would some of the western growers care to comment on this issue?

Mr. JOHNSON. Mr. Chairman, this has been a matter that has been of a great deal of interest, as you know, to the High Plains area. We feel that the position that has been taken by the Producer Steering Committee and that is contained in your bill under consideration today would be acceptable, would be fair, and would be equitable insofar as our producers are concerned.

And I would just reemphasize what Mr. Leggett has said. As we know, a disaster is a disaster. But irrigation, particularly with the increased costs of irrigation at the present time, does make a considerable difference insofar as individual growers are concerned.

We look at this as possibly spreading the disaster payment over a few more farmers and covering more farmers with payments which are certainly not as great. But I know that our position at this time from the High Plains would be in support of the bill as it is currently written. The provisions for feed grain and wheat may certainly suit the feed grains and wheat people better, but we feel this provision is one we can support.

Mr. BOWEN. Mr. McFarlane or Mr. Francis, would either of you care to comment?

Mr. FRANCIS. Mr. Chairman, I would make just one comment on Mr. Leggett's comment that better protection is given to irrigation growers. Arizona last year collected the outstanding amount of \$40,000 totally in disaster payments. And I do challenge Mr. Leggett's statement with respect to Arizona—not with respect to the High Plains.

Where they irrigate, one thing that is not considered as a disaster is when the pump stops pumping water. And if you are farming with a pump and it stops pumping water, you've got a disaster whether or not it falls under the definition.

Mr. BOWEN. So from the point of view of the western growers—the Arizona and California growers—disaster payments are not really an issue to you. Is that right?

Mr. FRANCIS. That is correct.

Mr. BOWEN. That is a problem for the rest of the cotton belt, but not a problem for the Far West. There seem to be some slight differences in the rest of the country, but we were just trying to resolve the differences there.

Are there any witnesses present who favor the 50 percent route which has been adopted for wheat and feed grains?

This is not to say that it does not bear great merit; we may end up adopting it. But are any of the witnesses today advocating that particular change?

[No response.]

Mr. BOWEN. In any event Mr. Poage has made a fine and persuasive argument on this. And I am sure we will consider this tomorrow during our markup.

This is the second bell for a rollcall vote on the floor of the House. I am sure we have other questions that could be addressed to the witnesses which would be of value.

However, I think we have covered most of the real issues and the points of difference that exist. But, fortunately, there is far more agreement than disagreement here. I am very pleased about that.

But we will try tomorrow to resolve whatever differences there are during the markup and, hopefully, arrive at agreement on a bill which will be introduced as an amendment to H.R. 7171 on the floor of the House when it is considered after the July 4th recess.

I would like at this time to thank all of our witnesses for coming and being with us today. We appreciate your testimony and the cooperation and effort which you have put in toward arriving at the recommendations you have brought to us.

Thank you very much.

The subcommittee is recessed.

[Whereupon—the committee stood in recess at 12:10 p.m.]

[The table referred to by Mr. Hjort on p. 18 follows:]

UPLAND COTTON: Estimated Government Costs Under H.R. 7855
(Million Dollars)

Item	1977	1978	1979	1980	1981	1978-81 Total	1978-81 Av./Year
Deficiency Payments	--	--	--	--	--	--	--
Disaster Payments	118	115	117	138	135	505	126
Loan and Inventory	87	2	+75	55	+49	+67	+17
Total	205	117	42	193	86	438	109

NOTE: Estimated loan and inventory costs are the same as under H.R. 7171. Total disaster payments for 1978-81 are \$70 million less than under H.R. 7171. No deficiency payments are expected under either bill. Thus, total government costs under H.R. 7855 would be about \$70 million less than under H.R. 7171 for the four-year life of the legislation.

[The extraneous material submitted to the committee follows:]

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., June 30, 1977.

HON. DAVID R. BOWEN,
Chairman, Subcommittee on Cotton, Committee on Agriculture, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Farm Bureau supports the provisions in H.R. 7855 for changing the procedures for establishing cotton allotments on the basis of a recommendation by the AFBF Cotton Advisory Committee which reads as follows:

"The Committee supports the concept of changing historical procedures for determining national and farm cotton allotments. The Committee is in general support of legislative proposals on this issue introduced by Congressman Bowen."

We respectfully request that you include this letter in the hearing record.

Sincerely,

JOHN C. DATT,
Director, Washington Office.

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