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MARKETING PROMOTION OF RAISINS MARKETING QUALITY OF FILBERTS

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HEARING

BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 6266

MARKETING PROMOTION OF RAISINS

H.R. 2381

MARKETING QUALITY OF FILBERTS

MAY 11, 1977

Serial No. 95-T



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MARKETING PROMOTION OF RAISINS

MARKETING QUALITY OF FILBERTS

WEDNESDAY, MAY 11, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 2 p.m. pursuant to notice, in room 1302; Longworth House Office Building, Hon. Frederick Richmond (chairman of the subcommittee) presiding.

Present: Representatives Panetta and Volkmer.

Also present: Representative Krebs, member of the full committee, and Representative Les AuCoin of Oregon.

Staff present: Christine Abram, clerk; Joseph R. Crapa, Carol Ann Dubard, and Mary C. Jarratt.

Mr. RICHMOND. The House Agriculture Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition will come to order.

Today's hearing is to learn the purpose of H.R. 6266.

[The bill H.R. 6266 and the report from the U.S. Department of Agriculture follow:]

A BILL To permit marketing orders to include provisions concerning marketing promotion, including paid advertisement, of raisins and distribution among handlers of the pro rata costs of such promotion

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 8c(6)(I) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is amended—

- (1) by inserting "raisins," after "apples,"; and
- (2) by inserting "raisins," after "with respect to almonds".

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 12, 1977.

Hon. THOMAS S. FOLEY,
Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: We appreciate this opportunity to respond to your request of April 27, 1977, for a report on H.R. 6266. The bill would amend the Agricultural Marketing Agreement Act of 1937, as amended, to permit the Federal marketing order for California raisins to provide for paid advertising and for crediting the assessment obligation of each handler with all or any portion of his direct expenditures for marketing promotion, including paid advertising, as may be authorized by the marketing order.

The Department would have no objection to enactment of H.R. 6266 if amended to provide for a 2-year time limit upon its implementation. We feel the legislative history on this proposal should make clear that it is being approved on an experimental basis only. We believe we should have the opportunity to gain additional experience and to assess program results before considering further extension of this type of authority. There are a number of unanswered questions as to the appropriate Federal role in support of a kind of advertising of food products that may not benefit consumers in the near future or even the affected growers in the event that competing commodity groups initiate competitive advertising. There are also unanswered questions as to the impact of such legislation on marketing costs and food prices.

Authority for advertising, under Federal marketing order programs, is authorized for 20 fruit, vegetable and tree nut commodities. In addition, many States have authorized the establishment of commissions or State marketing orders to promote commodities. Agricultural producers generally favor promotion programs (including paid advertising), as a means of maintaining or advancing their position in the marketplace.

Currently, raisin advertising and promotion are covered under a California State marketing order. The program consists of only generic advertising and promotion. No reference to brand names is permitted. Expenses are financed by assessments on producers and handlers. Currently, the assessment rate is \$20 per ton; producers and handlers each pay \$10 of this assessment.

In the United States, raisins are produced commercially only in California. Annual production is generally greater than domestic needs and this is likely to continue. To the extent that there is a need to maintain and expand both domestic and foreign markets, H.R. 6266 would give the industry a new tool to use in market expansion.

The proposed amendment of the Act would authorize the addition of promotion, including paid advertising, to the Federal marketing order. It would encourage handlers of California raisins to maintain or develop their own promotion, including paid advertising, by creating a handler's assessment obligation with all or part of his direct promotion expenditures as may be authorized in the marketing order for California raisins. However, the amendment would also authorize the expenditure of assessment funds for other types of raisin promotion such as generic advertising, public relations, or the preparation and distribution of educational and recipe materials to home economists, schools, and food editors.

Addition of the authority in H.R. 6266 to the marketing order would be based on evidence presented at a public hearing and resolved by rulemaking (the normal marketing order procedure). Any projects carried out under this authority would be subject to the continuing scrutiny of the Secretary to insure compliance with the statute and to protect the public interest.

The additional activity caused this Department by enactment of the proposed bill will be absorbed within existing expenditures for marketing order programs except that the order amendment cost could approximate \$7,500.

Enactment of H.R. 6266 would have no significant impact of the environment. The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

JOHN C. WHITE,
Acting Secretary.

Mr. RICHMOND. I welcome our colleague from California, John Krebs.

STATEMENT OF HON. JOHN KREBS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. KREBS. Thank you, Mr. Chairman. I certainly appreciate the opportunity of appearing before you here today in support of the legislation H.R. 6266, and I would like very briefly to outline the legislation before you which, I think by any standards, should be non-controversial.

There are two aspects to this enabling legislation, Mr. Chairman.

First of all, it allows for the establishment of a Federal order for the advertisement and marketing of American raisins. Second, it permits the distribution of the pro rata cost of that promotion among raisins handlers.

The major purpose of the bill is to allow for economies in the administration of programs conducted by the raisin industry. As you gentlemen may be aware, at the present time, the marketing and advertising functions of the raisin industry are conducted under the auspices of a State marketing order, while volume and grade regulations are under Federal control.

Thus, the same 5,000 growers, most of whom are located in the San Joaquin Valley, are subjected to a two-tier system of regulations which has resulted in an unfortunate waste of time as well as a lack of coordination in the marketing of raisins.

Both of these are, of course, trade disadvantages which could be eliminated by placing all functions related to the marketing of raisins under the Federal umbrella.

As I mentioned earlier, the bill would also permit the crediting of funds expended for advertising by a raisin handler against the assessment he would otherwise have to pay.

Thus, brand promotion would be allowed, which is not the case under the existing State order. I would like to take this opportunity to emphasize that the legislation under consideration is merely enabling legislation; the producers must, in the final analysis, vote on the details of the order by a two-thirds majority. I mean two-thirds of the producers or producers of two-thirds of the total volume of raisins.

Additionally, no order issued pursuant to this legislation could become effective until approved by the handlers of not less than 50 percent of the volume of U.S. raisins.

The Department of Agriculture has advised me informally that it recommends enactment of this legislation as a means of allowing growers the opportunity to compete effectively. Such competition is essential to an industry which frequently overproduces.

Furthermore, the U.S. Government provides no subsidies to our raisin growers, contrary to practices carried out by other raisin-producing countries such as Greece and Turkey.

Knowing the chairman's concern for subsidies for agriculture, I would assume that he would welcome this state of affairs.

In light of the tough competition which our raisin industry faces in world markets, particularly from Greek and Turkish producers who are frequently heavily subsidized, improved advertising is a must. I believe that improved advertising would be made possible through this legislation, and the chairman later may have some question on this statement.

I am pleased to be able to report that the raisin industry is united in support of this legislation. Although objections were originally raised by a packing company in my district—and let me digress and state that I believe the chairman and members of the subcommittee received a letter some time in March from this particular packing company, known as Bonner Packing, and I believe I later furnished the chairman and members of the committee with a copy of the letter that follows where the gentleman who had originally raised objection to this legislation has since withdrawn.

Early this month, the board of directors of the Raisin Bargaining Association, which is composed of independent producers, voted unanimously to support this proposal and earlier this week I received a letter from the manager of the Dried Fruit Division at Del Monte who stated, "Since the consensus of the industry appears to be in support of this measure, we will not work actively to oppose H.R. 6266."

I'm sure the chairman is in receipt of a letter dated May 4, 1977 from Del Monte, in which they do raise certain objections or reservations that they have had about this legislation. But the quote that I gave you in my statement a minute ago comes, of course, from this particular letter which concludes along the lines that I have just stated.

In conclusion, Mr. Chairman, I believe, as most of the raisin industry does, that this legislation has good potential for giving this important segment of agriculture the tools it needs in order to compete efficiently and effectively in the domestic and world markets.

Again, Mr. Chairman, I want to express my appreciation to you for giving me this opportunity to have this legislation considered by your subcommittee, and if the chairman has any questions, or the staff, I will be glad to try to respond.

Mr. RICHMOND. Mr. Krebs, how many raisin growers are there? Do you have any idea?

Mr. KREBS. I cannot give you the exact number, but there are well over 1,000.

Mr. RICHMOND. What is the dollar value of the raisin crop?

Mr. KREBS. Of the annual raisin crop?

Mr. RICHMOND. Yes.

Mr. KREBS. In the millions.

Mr. RICHMOND. And this bill would create how large a fund?

Mr. KREBS. How large a what?

Mr. RICHMOND. A fund.

Mr. KREBS. Maybe I should explain further, Mr. Chairman, in order to respond to your question.

What we are doing under this legislation, as I tried to state to the committee, is to really streamline the process. At the present time, it is not possible to advertise brands under the Federal order and in order to change the State order we would, in effect, have to change 60 other orders in the process.

For this reason, we are going to the Federal Government which, at the present time, covers quantity and quality marketing orders. So, this would bring it all, as I believe I said in my statement, under one umbrella.

The handlers, at the present time, under the State order, contribute \$10 a ton and so do the producers. Under the Federal order, for practical purposes, the same thing would happen, so it is a self-paying proposition.

The only change that would take place here is that we would be able to advertise under Federal order and those who would want to order under a brand basis rather than generically, would be able to do so, and would then get credit for any funds expended for brand advertising toward the \$10 per ton contribution.

Mr. RICHMOND. Ten dollars a ton contribution. And how many tons did you say?

Mr. KREBS. I wish I could—I don't have the exact figures.

Mr. RICHMOND. You don't have a dollar amount?

Mr. KREBS. Let me say that it also varies from year to year. For instance, on this year's crop our raisin growers lost an estimate—it varies—but the most optimistic estimate is that we lost about 30 percent of our raisin crop because of very early rains in September of last year.

So, the tonnage really varies from year to year. We are talking about substantial amounts of money. We are talking about a substantial tonnage.

Mr. RICHMOND. How many dollars does that \$10 a ton——

Mr. KREBS. Total?

Mr. RICHMOND [continuing]. Generate?

Mr. KREBS. I wish I could tell you. I don't have——

Mr. RICHMOND. Would you try to supply us with that before we mark this bill up, Mr. Krebs?

Mr. KREBS. I would be glad to.

Mr. RICHMOND. Thank you very much.

Mr. KREBS. Thank you.

Mr. RICHMOND. I hope Mr. Charles Brader is here and prepared to discuss the raisin order.

But before Mr. Brader, why don't I call on Congressman AuCoin.

Mr. Krebs, would you like to participate in this hearing? We would certainly be delighted to have you.

Mr. KREBS. I would like to hear what my neighbor to the north has to say.

Mr. RICHMOND. Then we'll hear from Mr. Brader.

Good afternoon, Mr. AuCoin. I know you are the world's leading exponent on filberts.

Mr. AuCoin. Mr. Chairman, I——

Mr. RICHMOND. Is that true, Mr. AuCoin?

Mr. AuCoin. Well, first of all, I wanted to say to my friend from California who preceded me that—and I want him to know this as we consider my bill on filberts—I am a very big fan of raisins. I hope he bears that in mind.

It's a pleasure, Mr. Chairman, to be before your committee. I know how fond you are of filberts and I know how fair you are in considering a cause such as that which I bring before you.

STATEMENT OF HON. LES AuCOIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. AuCoin. Mr. Chairman, I'm delighted to be here today to plead the cause of some 1,400 filbert growers in Oregon and Washington. I want to compliment you for recognizing the importance of this legislation to the U.S. filbert industry by holding these hearings here this afternoon.

This legislation is very simple. It requires that all imported filberts, both inshell and kernels, meet the same minimum grading standards that domestic filberts are required to meet. It does this by including filberts among those commodities which enjoy benefits under section 8(e) of the Agricultural Marketing Agreement Act of 1937.

The House and Senate passed identical legislation without opposition 3 years ago only to have the measure pocket vetoed.

This year the Senate Agriculture Committee has once again recognized the urgency of the bill by approving it—again without opposition—as an amendment to the new Senate farm bill.

Many of you undoubtedly remember this legislation from 1974. The report which this committee wrote to accompany that bill acknowledged that “the age of the nut and other quality factors are such that the domestic graded varieties, being required to be graded, are more costly than the imports, which are not graded at all.” Your report further found that if remedial legislation was not enacted “and competition is continued on an unequal basis, the domestic growers will soon be out of business.”

Let me address for a moment the objections to this legislation which were raised by the Department of Agriculture and the Department of State 4 years ago in letters submitted to this committee.

The Department of Agriculture argued that standards for filbert imports were not needed because imports competed only for the kernel market, and not for the inshell market. It then pointed out that mandatory grading standards were not in force for filbert kernels where there was competition, but only for the inshell nuts where the domestic growers had the market largely to themselves.

Neither of those two statements is true today. In the past 2 years inshell filberts from Italy have flooded the market. Today inshell imports are every bit as competitive with our domestic product as kernel imports are.

I would also like to point out to the committee that since October 1976 domestic kernels have been bound by mandatory grading standards, just as their inshell cousins are. The filbert growers themselves imposed these standards in an effort to make certain their product was the highest quality possible. This brings long-term benefits as consumers increase. But consumers increase only as long as they know that each time they buy filberts those filberts will be good. And that means uniform standards, for domestic and foreign filberts alike.

The objections of the Department of State 4 years ago do not square with the facts today, either.

That Department objected largely because of the impact this legislation could have on the country of Turkey—which has traditionally supplied most of this country’s imported kernels. Turkey, as you may recall, had cooperated at one time with our Government by banning the production of opium.

However, Turkey no longer bans the production of opium, and, in fact, has harvested opium crops since July 1975. In view of this I am hard pressed to understand why we have any obligation to treat their filbert farmers better than our own.

In conclusion, Mr. Chairman, I don’t believe that this country’s open invitation to low quality filberts is in the long term best interest of anyone concerned—including foreign growers and, perhaps most of all, the American consumer. By not imposing grading standards, our country literally invites low quality filberts which have been refused by nations of the world which do impose grading standards.

When poor tasting, low quality filberts start filling the shelves of neighborhood grocery stores, consumers lose interest. A classic case of demand and supply—this has the effect of depressing the market to the detriment of everyone.

The 1,400 growers in Oregon and Washington who I am representing today are not asking for preferential treatment under law. They are only asking for equal treatment under the law.

They are only asking for that minimal assistance which has already been accorded the growers of 16 other American commodities.

I hope you will once again respond to this legitimate and reasonable request of American filbert growers. On their behalf, I ask your assistance to enact this bill into law in the 95th Congress.

Mr. Chairman, one final note in conclusion. It is my understanding that the Departments of State and Agriculture will be testifying today and suggesting that the legislation which I bring before you would represent a nontariff trade barrier and, therefore, is undesirable.

I want to suggest to you and to the members of the committee, as clearly and as strongly as I possibly can, that I believe that to be a specious argument.

There are 16 commodities that are treated identical to the way we are asking filberts to be treated today. If those agencies truly believed that this represents a nontariff trade barrier then I think they would be compelled to come before your honorable committee, Mr. Chairman, and ask for the repeal of these provisions which now are in effect for—

Mr. RICHMOND. I have to vote. Will you excuse me just a minute, please.

[Brief recess taken for a vote.]

Mr. RICHMOND. Thank you, Mr. AuCoin. Won't you go ahead, please.

Mr. AuCoin. Thank you, Mr. Chairman.

I was concluding by saying that it has come to my attention that the Department of Agriculture and, perhaps, also, the Department of State, may, today in testimony, argue that this bill should not be passed because it represents a so-called nontariff barrier.

If that argument is sound, then the agencies would be compelled to come before your committee and ask for the repeal of the same provisions that now apply to 16 other commodities.

They would have to come before you and say, "we believe the grading of tomatoes—represents a nontariff trade barrier; so does the grading of olives, prunes, avocados, mangoes, limes, grapefruit, green peppers, Irish potatoes, cucumbers, oranges, onions, walnuts, dates, and eggplant." And they are not doing that.

I think it is not a valid argument. All we are asking for is equity. I think the consumer needs this type of protection. I think we will increase the consumer interest in this commodity for both foreign imports as well as domestically grown filberts if we impose grading requirements in this way.

Mr. Chairman, I just hope this committee can see the rightness of the argument and do what we tried to do in 1974, I believe, and pass this piece of legislation that means so very much to a very important industry in the Pacific Northwest.

Mr. RICHMOND. Thank you, Mr. AuCoin.

We do have a letter from the Department of State which I will put into the record, indicating their objection to including filberts in the Agriculture Adjustment Act on the grounds that Turkey exports two-thirds of the world production of filberts and that Turkey would be seriously hurt.

Without objection, it will be included in the record.

[The letter referred to above follows:]

DEPARTMENT OF STATE,
Washington, D.C., May 11, 1977.

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

DEAR MR. CHAIRMAN: The Secretary has asked me to reply to your request for the views of the Department of State on H.R. 2381, a bill which would, in effect, subject imported filberts to the restrictions authorized by Section 8(e) of the Agricultural Marketing Act of 1937, as amended.

The Department of State recommends that no favorable action be taken on the proposed legislation. Our recommendation is based on the following considerations:

1. The proposed amendment would authorize the establishment of new trade barriers contrary to our program of expanding the opportunities for trade—a program of utmost importance to American agriculture as a whole.

2. Imported filberts are not adversely affecting domestic marketings. The production of filberts in the United States is not sufficient to meet the domestic demand. The great bulk of our requirements of filbert kernels must be imported to meet the needs of American consumers.

3. The Department of Agriculture has stated that it has no evidence that Turkey, the principal supplier of filbert kernels, has been using the U.S. market to dispose of inferior quality filberts. Moreover, we note that any Turkish filberts which would not meet the strict standard for wholesomeness prescribed by U.S. pure food laws would be prohibited from entry, and

4. The establishment of the new restrictions envisaged by the bill would have a detrimental effect on U.S. relations with Turkey and the multilateral trade negotiations now under way in Geneva, Switzerland, to reduce and eliminate nontariff and other trade barriers.

Generally speaking, Section 8(e), the import provision of the Agricultural Marketing Act of 1937, as it now stands, prohibits the entry of certain agricultural commodities into the United States which do not comply with grade, size, quality, or maturity standards comparable to those laid down in regulations governing the marketing of the domestically produced commodity. The proposed amendment would authorize the extension of Section 8(e) restrictions to imported filberts.

U.S. consumption of filberts has averaged around 38 million pounds annually over the past 5 years, of which half was supplied by imports. Approximately one-third of the U.S. supply is marketed as "in the shell" filberts and the remaining two-thirds in the form of kernels. For all practical purposes, domestic producers supply the entire quantity of filberts marketed in the shell, the most remunerative outlet. Imports on the other hand, consist almost exclusively of kernels and usually supply about three-fourths or more of the quality sold in that form in the U.S. market. Given the foregoing demand/supply relationship, an authorization to introduce a marketing regulation prohibiting the sale of certain kinds of imported kernels in the U.S. market would tend to reduce supplies, increase prices and have a significant adverse impact on consumers who have traditionally relied on imports to meet their normal requirements.

Turkey, accounting for approximately two-thirds of world production, would be the country principally affected by the establishment of the restrictive marketing regulations authorized by the proposed legislation. The importance which Turkey attaches to its trade in filberts with the United States is reflected in the representation made by the Turkish Government against S. 812, the Senate companion bill. It has pointed out that, contrary to allegations made by some, the size of the Turkish filbert is no reflection of its quality and that Turkish filberts enjoy a worldwide reputation for high quality. Moreover, the fact that Turkish filberts are imported under existing U.S. Food and Drug Administration regulations attests to their high quality. Also, in contrast to the views expressed by some, Turkey does not provide extraordinary assistance to its filbert producers; Turkey's agricultural program for filbert growers is the same as programs which

the U.S. Government has in effect for its agricultural producers. Turkey's rebate of processing taxes on expected filberts is in accord with the principles laid down in the General Agreement on Tariffs and Trade and is a common practice all over the world.

The Turkish Government has also pointed out that Turkey has a substantial trade deficit with the United States. The deficit is considered to be one of the major factors contributing to Turkey's balance of payment difficulties. Noting that identical legislation was set aside in January 1975, the Turkish Government has expressed the hope that no favorable action will be taken on the present proposal and thereby avoid inflicting damage on United States-Turkey bilateral trade relations.

The United States has included filberts in its schedule of tariff concessions annexed to the General Agreement on Tariffs and Trade (GATT). It seems clear that imposing a prohibition on the sale of certain kinds of Turkish filberts in the United States would be interpreted by Turkey as establishing a non-tariff trade barrier in violation of our international commitments and, under the terms of GATT, Turkey would be in a position to respond with measures of its own against products originating in the United States.

As the world's largest exporter of agricultural products, the United States has an important stake in our national program of liberalizing the opportunities for trade. In the past fiscal year, American producers shipped more than \$22 billion worth of agricultural commodities abroad—a record level. If the United States were to adopt the kind of new restrictions imposed in legislation such as H.R. 2381 and S. 812, United States efforts to persuade other countries to eliminate or reduce restrictions hampering the continued growth of American exports will be hindered.

The Office of Management and Budget advises that there is no objection to the submission of this report and that enactment of H.R. 2381 would not be consistent with the Administration's objectives,

Sincerely,

DOUGLAS J. BENNET, JR.,

Assistant Secretary for Congressional Relations.

Mr. AuCOIN. Mr. Chairman, if you would allow me, I would suggest to you strongly that Turkey would not be hurt for the very arguments that I made in my testimony today.

You understand commodities, and you understand consumer interest in commodities. If the consumer is faced with a large quantity of poor quality that they purchase in the marketplace—and that's what's happening today with lower quality imports—then, pretty soon, they are going to turn away from that commodity, period. And that's going to hurt the exporter from the foreign nation, and it's certainly going to hurt our domestic industry.

I do not believe the State Department understands, or is necessarily expert, on what is best agriculturally.

Mr. RICHMOND. Can you tell me why filberts, up to now, haven't been treated the same as walnuts and dates?

Mr. AuCOIN. I have no idea whatsoever. I know the Congress, in 1974, wanted to change that and almost literally without opposition did so, only to find it was pocket vetoed in December of that year.

Mr. RICHMOND. Do you know why the President pocket vetoed it?

Mr. AuCOIN. I believe that had to do at the time with the argument—again put forward by the Department of State—that the cooperation this country was getting from Turkey, the principal foreign competitor, in the area of limiting opium production was paramount.

Now that circumstance does not exist today. Even if you bought the argument at the time—and Congress did not when they passed the filbert bill that year—that circumstance does not exist now. Turkey is harvesting opium today.

It seems to me that this removes the final argument that State should have to the passage of this bill.

Mr. RICHMOND. Are Turkish filberts the lesser quality? Are our filberts better?

Mr. AuCOIN. They do not have to meet the higher standards that we impose on our domestic filberts; that's true.

Mr. RICHMOND. In other words, USDA applies, right now, one set of standards on American filberts and another set on Turkish filberts?

Mr. AuCOIN. We are talking about an inequity. We have a higher set of standards for domestic filberts. That's true, Mr. Chairman.

Mr. RICHMOND. What's the dollar volume of your crop of filberts; do you know?

Mr. AuCOIN. The Pacific Northwest produces almost all of the filberts in the entire United States, and it is estimated the worth of the filbert industry is in the neighborhood of \$6 million.

Mr. RICHMOND. And all you are asking is equal treatment to the walnut, onion, and date industry; is that right?

Mr. AuCOIN. To be treated like tomatoes, olives, limes, mangoes, grapefruit, green peppers, Irish potatoes, et cetera, Mr. Chairman. We ask that the list go to 17 instead of 16—make the list go to 17 instead of 16.

Mr. RICHMOND. It certainly seems to me that you have that right, Mr. AuCoin, and thank you very much for your testimony.

Will you join us up here and listen to the comments of the U.S. Department of Agriculture?

Mr. AuCOIN. I will for a minute or two, Mr. Chairman; there is a bill on the floor from the Housing Subcommittee that will be debated at—

Mr. RICHMOND. At 3 o'clock.

Mr. AuCOIN. At 3 o'clock. But I would like to sit up here for a few minutes. I appreciate your invitation.

Mr. RICHMOND. Our next witness is Mr. Charles Brader, Deputy Director of the Fruit and Vegetable Division of Agricultural Marketing Service.

Mr. Brader, I hope you are prepared to comment on both Mr. Krebs' marketing order for raisins and for Mr. AuCoin's filbert bill? I'd like to hear your comments for both.

Mr. BRADER. I'll do my best.

Mr. RICHMOND. Which one would you like to start on?

Mr. BRADER. Well, if Mr. AuCoin is here, perhaps he would prefer that I start with filberts which is H.R. 2381.

Mr. RICHMOND. Certainly.

[The bill H.R. 2381 and the report from the U.S. Department of Agriculture follow:]

A BILL To improve the quality of unshelled filberts and shelled filberts for marketing in the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 8e of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, is amended by inserting after "oranges, onions, walnuts, dates," the following: "filberts,".

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 12, 1977.

Hon. THOMAS S. FOLEY,
Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: It is always a pleasure to provide the Committee with the Department's views on legislation. H.R. 2381 would amend Section 8e of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, to provide that the importation of unshelled and shelled filberts for marketing in the United States shall be regulated by grade, size, quality, or maturity when domestic filberts are so regulated.

Section 8e of the Act now requires similar regulation of imports of 16 other specified commodities when domestic marketing order regulations are in effect. Twelve of these commodities—including such diverse items as oranges, Irish potatoes, raisins and walnuts—are currently covered by marketing order quality regulations, and consequently by comparable import requirements.

The Department recommends against enactment of H.R. 2381.

The Department recommended against enactment of this legislation in the 94th Congress. There then existed no minimum marketing order regulations on shelled filberts, and since virtually all filbert imports enter in the shelled form, there was no equivalent regulation to impose. Thus we saw little purpose in supporting legislation which would have virtually no application. Further, we noted that the bill could adversely affect the American consumer as well as be prejudicial to the interest of American trade policy.

We continue to be concerned that imposition of quality requirements on imported filberts would be considered by foreign suppliers as an effort to erect non-tariff barriers to their product.

In the United States, filberts are produced commercially in Oregon and Washington. During the 5-year period 1971-76 (beginning August 1, 1971, and ending July 31, 1976), domestic production of filberts averaged about 4,200 tons. During this same period, domestic consumption of filberts averaged about 7,300 tons. Of this, about 3,500 tons were from domestic production and about 3,800 tons were imported, mostly from Turkey. Exports of domestic filberts during this period averaged about 450 tons. All of these figures are on a kernelweight basis (100 pounds unshelled filberts equals 40 pounds shelled filberts). We cannot estimate the effect which mandatory minimum quality requirements would have on imported filberts, since there has been no official quality determination made on imports entering without such requirements.

Enactment of H.R. 2381 would have no significant impact on the quality of the environment.

The Office of Management and Budget advises that there is no objection to the presentation of this report and that enactment of H.R. 2381 would not be consistent with the Administration's objectives.

Sincerely,

JOHN C. WHITE,
Acting Secretary.

**STATEMENT OF CHARLES R. BRADER, DEPUTY DIRECTOR, FRUIT
AND VEGETABLE DIVISION, AGRICULTURAL MARKETING
SERVICE, U.S. DEPARTMENT OF AGRICULTURE**

Mr. BRADER. Mr. Chairman and Mr. AuCoin, I appreciate this opportunity to appear before you today to discuss H.R. 2381, a bill which would add imported filberts to the commodities covered by section 8(e) of the Agricultural Agreement Act.

This would require imports of filberts to meet the same or comparable grade, size, quality, and maturity requirements as those which may be in effect for domestically produced filberts under a Federal marketing order.

The Department recommends against enactment of H.R. 2381.

U.S. consumption of filberts has averaged about 7,300 tons annually in the past 5 years on a shelled basis. Domestically produced filberts account for nearly one-half of this total, with the remainder imported.

The inshell market is the preferred outlet for domestic filberts, although substantial quantities are sold in shelled form. Virtually all imports have traditionally been in the shelled form, with most originating in Turkey.

Oregon accounts for the bulk of U.S. commercial production, with relatively minor quantities also produced in the State of Washington.

The industry in the two-State area operates under a Federal marketing order. Under the filbert marketing order, minimum grade and size regulations have been in effect for domestically produced inshell filberts for a number of years. Minimum grade regulations for shelled filberts have only been in effect since October of 1976.

Similar legislation was proposed in the 94th Congress. At that time, the Department recommended against enactment. There then existed no minimum order regulations on shelled filberts, and since virtually all filbert imports enter in the shelled form, there was no equivalent regulation to impose.

Thus, we saw little purpose in supporting legislation which would have had virtually no application. Further, we noted that the bill could adversely affect the American consumer as well as be prejudicial to the interest of American trade policy.

We continue to be concerned that imposition of quality requirements on imported filberts would be considered by foreign suppliers as an effort to erect nontariff barriers to their product. For these reasons, we recommend against enactment of this bill.

Mr. Chairman, this concludes my statement. I shall be happy to answer any questions which you may have.

Mr. RICHMOND. Mr. Brader, in line with your previous history of support for marketing orders in general—similar to that being requested for filberts—can you tell us why the USDA is opposed to Mr. AuCoin's bill?

As I read Mr. AuCoin's bill, he just wants the same treatment for filberts that we are now giving oranges, onions, walnuts, dates, and any number of other commodities.

Mr. BRADER. Well, you are correct that we have a—

Mr. RICHMOND. What I want to know is why we should treat walnuts one way and filberts another. They are used for essentially the same purpose. Both of them are grown domestically and also imported.

Why shouldn't we give filberts the same treatment as these other commodities?

Mr. BRADER. That's a pretty difficult question to answer. I guess that—

Mr. RICHMOND. I would think that would be a very easy question to answer.

Mr. BRADER. I can answer that question by repeating some of the suggestions we received from other agencies in the Government.

About a week ago, the President made a statement that he would not support any legislation which could be considered "protectionist."

There are some people who consider this type of legislation protectionist.

Therefore, we are taking the position that we would not support any new efforts to impose these kinds of requirements.

Mr. RICHMOND. Then you think we ought to repeal the Agriculture Adjustment Act and waiver restrictions on all the other commodities that are listed under it?

In other words, why should filberts be singled out for this treatment as against all these other commodities which are commonly imported also?

Mr. BRADER. Well, I guess my only answer to that is that we are not supporting any new legislation.

Mr. RICHMOND. We both agree that probably the vast majority of dates, for example, are imported into the United States; is that correct?

Mr. BRADER. I'm—

Mr. RICHMOND. Yet dates are—American dates are protected under the Agriculture Adjustment Act.

Mr. BRADER. That's correct.

Mr. RICHMOND. Walnuts, the same way.

Mr. BRADER. That's correct.

Mr. RICHMOND. Tomatoes. As you know, we import a vast amount of tomatoes from Mexico. Why shouldn't filberts receive that same treatment?

Mr. BRADER. Well, we are—

Mr. RICHMOND. Or why don't we repeal the whole act?

Mr. BRADER. I guess I need to point out the consistency of the Department of Agriculture—

Mr. RICHMOND. The inconsistency or the consistency?

Mr. BRADER. No, the consistency.

When we submitted our proposed report to the Office of Management and Budget, we recommended that the Department take a position of no objection to this bill. That would have been consistent with our position in prior years.

Mr. RICHMOND. Correct.

Mr. BRADER. But our position did not prevail, and I am giving you the administration's position, as directed.

Mr. RICHMOND. Thank you.

Are there any questions for Mr. Brader at this point?

Mr. AuCOIN. No, Mr. Chairman, only to say that I think the last statement from the witness is the most salient statement that he committee has heard.

We are dealing with Agricultural policy and I would just repeat that I cannot see why a walnut ought to be treated any different than a filbert.

Mr. RICHMOND. I think we all basically agree, Mr. Brader, that a walnut shouldn't be treated any differently than a filbert?

Mr. BRADER. If you want my personal judgment, I am forced to agree.

Mr. RICHMOND. Thank you.

Mr. Brader, can you now switch over to a discussion of Mr. Krebs' raisin marketing bill, H.R. 6266? We'd like very much to have your opinions on that, too.

Mr. BRADER. All right.

**STATEMENT OF CHARLES R. BRADER, DEPUTY DIRECTOR, FRUIT
AND VEGETABLE DIVISION, AGRICULTURAL MARKETING
SERVICE, U.S. DEPARTMENT OF AGRICULTURE**

Mr. BRADER. Thank you, Mr. Chairman, for the opportunity to present our views on this bill. H.R. 6266 would amend section 8(c) of the Agricultural Marketing Agreement Act to permit a marketing order for raisins to include any form of marketing promotion, including paid advertising, and to credit the assessment obligation of each handler with all or any portion of his direct expenditures for marketing promotion, including paid advertising—

Mr. RICHMOND. Excuse me. Just to bring Mr. Krebs up-to-date, Mr. Krebs, Mr. Brader who you probably know is with the Agricultural Marketing Service, is now testifying on your bill.

Mr. KREBS. Thank you. I appreciate that.

Mr. BRADER. This would permit, including paid advertising, as may be authorized under the marketing order.

The Department would have no objection to enactment of H.R. 6266 if amended to provide for a 2-year time limit upon its implementation.

We feel the legislative history on this proposal should make clear that it is being approved on an experimental basis only. We believe that we should have the opportunity to gain additional experience and to assess program results before considering further extension of this type of authority.

There are a number of unanswered questions as to the appropriate Federal role in support of a kind of advertising of food products that may not benefit consumers in the near future or even the affected growers in the event that competing commodity groups initiate competitive advertising. There are also unanswered questions as to the impact of such legislation on marketing costs and food prices.

Advertising under Federal marketing order programs is authorized for 20 fruit, vegetable, and tree nut commodities. In addition, many States have authorized the establishment of commissions or State marketing orders to promote commodities.

Agricultural producers generally favor promotion programs, including those with paid advertising, as a means of maintaining or advancing their position in the marketplace.

In the United States, raisins are produced commercially only in California. Annual production is generally greater than domestic needs, and this is likely to continue. To the extent that there is a need to maintain and expand both domestic and foreign markets, H.R. 6266 would give the industry a new tool to use in market expansion.

The proposed amendment of the act would authorize the addition of promotion—including paid advertising—to the Federal marketing order. It would also authorize raisin handlers to promote their own brands of raisins and offset at least part of their direct promotion expenditures against their assessments under a marketing order.

This would encourage raisin handlers to maintain or develop their own promotion programs. The amendment would also authorize the expenditure of assessment funds for other types of raisin promotion such as generic advertising, public relations, or the preparation and distribution of educational and recipe materials to home economists, schools, and food editors.

Addition of the authority in H.R. 6266 to the marketing order would be based on evidence presented at a public hearing and resolved by rulemaking. Any projects carried out under this authority would be subject to the continuing scrutiny of the Secretary to insure compliance with the statute and to protect the public interest.

The additional activity caused this Department by encatment of the proposed bill will be absorbed within existing expenditures for marketing order programs except that the order amendment cost could approximate \$7,500.

Mr. Chairman, this concludes my statement on this bill.

Mr. RICHMOND. What I gather from your testimony, Mr. Brader, is that the Department would approve Mr. Krebs' raisin marketing order providing it was limited to 2 years. Is that correct?

Mr. BRADER. That's correct, sir.

Mr. RICHMOND. Mr. Krebs, would that one caveat be acceptable to you?

Mr. KREBS. Mr. Chairman, certainly I have no objection to a 2-year limitation with the view to give the Department and everybody concerned an opportunity to see how the program works.

I would hope, however, that at the conclusion of 2 years, if there are no serious objections, that similar legislation could be passed without the time limit. I suppose that is not something that we can decide now.

I have no objection to that particular question.

Mr. RICHMOND. Mr. Volkmer, I think you have a very important question?

Mr. VOLKMER. Well, not very important. It is something that maybe we could do a little research on and that is, why do we call this "fruit" and not "dried grape"?

Mr. BRADER. I think you may need the research, sir.

Mr. VOLKMER. You don't know where it comes from, either?

Mr. BRADER. I'm sorry, but I don't—

Mr. RICHMOND. Mr. Volkmer, the staff will check with the Library of Congress and get you a full explanation within 24 hours.

Mr. VOLKMER. I would like to know. You don't know, either Mr. Chairman?

Mr. RICHMOND. We will know within 24 hours.

Mr. KREBS. Mr. Chairman, as the author of this piece of legislation, may I ask that the cost of this research not be assessed against the program?

Mr. RICHMOND. Mr. Brader, is there any proof that prices have risen in the areas where marketing orders have been allowed for advertising?

Mr. BRADER. For advertising? I don't know of any proof of that; no, sir.

Mr. RICHMOND. And would this type of marketing order favor large companies as against small companies, or do you feel it's fairly equitable?

Mr. BRADER. No; I think the intent of this proposal would be to provide equity to large and small handlers.

Mr. RICHMOND. Thank you very much, Mr. Brader. I am very happy that you approve of Mr. Krebs' bill, and I am happy that you personally approve of Mr. AuCoin's bill.

Mr. BRADER. Thank you, Mr. Chairman.

Mr. RICHMOND. We have previously had submitted into the record a statement on H.R. 2381—against the enactment of H.R. 2381—from Douglas J. Bennet, Jr., Assistant Secretary of State for Congressional Relations.

Our last witness on H.R. 2381 is Mr. Don Jossy, president of the Filbert Growers Bargaining Association, from Cornelius, Oreg.

Mr. Jossy, I assume you put together this beautiful brochure?

Mr. JOSSY. Our office did.

STATEMENT OF DON JOSSY, PRESIDENT, FILBERT GROWERS BARGAINING ASSOCIATION

Mr. JOSSY. My name is Don Jossy. At the present time, I am farming 160 acres of filberts and serve as president of the Filbert Growers Bargaining Association. I am past president of the Nut Growers Society of Oregon, Washington, and British Columbia.

I am here on behalf of the Oregon Filbert Commission, of which I serve as chairman, representing the filbert growers of Oregon and Washington. I am very grateful for the opportunity and pleased to appear before you today in behalf of 1,400 filbert growers in Oregon and Washington and to express our vital interest in passage of House Resolution 2381, which would improve the quality of unshelled and shelled filberts being marketed in the United States.

Oregon has had a filbert industry for more than 50 years. There are now approximately 20,000 acres planted. For many years, Oregon State University has recommended filbert growing as one of the Willamette Valley's most adaptable crops.

This industry still does not produce enough filberts to meet the domestic demand, so it is not creating surplus problems. It is, therefore, a very good crop to use in land use planning.

Due to unfair competition from abroad, economic returns for filbert growing has not been satisfactory. When a processor in Oregon quotes a price for our product and is told that the imported filbert is much cheaper, he has no way of knowing if he is competing with comparable quality or if it is poor quality and often forced to reduce the price of good quality filberts in order to compete with poorer quality imports.

This, in turn, affects the entire market structure, and is reflected in a lower return to the grower. This statement is not to infer that only poor quality filberts are imported. I have been in the processing plants in Turkey, Spain and Italy, and have seen filbert kernels that are as good as ours or better, so foreign countries are capable of shipping first-class quality to the United States.

Importers have bought on price alone, and this has resulted in dissatisfaction among some filbert buyers and consumers in this country, resulting in a decline in a per capita consumption of filberts in this country at the same time per capita consumption of other tree nuts has increased substantially.

In Europe, where the hazelnut is probably the most widely-used nut in the bakery and confectionery industries, it is increasing consumption.

Returns to the growers can only be improved by better market prices, and market prices can only be improved by offering the buyer

good filberts of uniform quality. The domestic filbert industry now has mandatory controls under their marketing order on the quality of both inshell and shelled filberts.

Unless imported filberts meet these standards, the filbert market in the United States will never improve and domestic producers as well as foreign producers will not be able to share in a stabilized and expanding market.

Past efforts to obtain quality controls under section 8(e) have failed, due to State Department and Department of Agriculture concern over the elimination of poppy seed growing in Turkey. This should not be a concern at this time since it is my understanding that Turkey is again producing poppy seed.

Furthermore, the Turkish Government should be convinced that their share of an expanded U.S. market would be much greater than that of the domestic producer, since increased production in the United States is a slow process.

All that the filbert growers in Oregon and Washington are asking is that they be allowed to compete with the foreign product on an equal basis which should result in improved prices for themselves as well as the growers from overseas.

I want to extend to this committee both my thanks and appreciation for hearing me today. I have tried to relate to you the necessity of a law to regulate quality standards of filbert imports as a marketing tool in assisting us to build a substantial agricultural industry in our great northwestern section of the United States.

Mr. RICHMOND. We will submit into the record further material that Mr. Jossy has provided us here today.

[The material referred to above is held in the committee file.]

Mr. RICHMOND. Basically, Mr. Jossy, you are not asking for any tariffs or anything else. All you want is a law saying that imported filberts should be of equal quality to our own domestic filberts. Is that the bottom line?

Mr. JOSSY. That's all we ask for.

Mr. RICHMOND. I personally see no reason why that law shouldn't be enacted. Our committee will mark this bill up as soon as we can get the reports finalized.

Thank you very much for coming from Oregon, Mr. Jossy.

We will now return to consideration of H.R. 3476, and ask Mr. Blaine Bonham to present his visual presentation on gardening. Mr. Bonham?

[Mr. Blaine Bonham, director of community activities, Pennsylvania Horticultural Society, Philadelphia, Pa., presented a slide presentation, with sound.]

Mr. CRAPA. Thank you very much, Mr. Bonham. The chairman had to go to the floor to vote. He wanted to thank you particularly for this very enjoyable presentation. I think that after seeing your slides, most of us here wish we could go out and get to work on our gardens.

Mr. BONHAM. I want to thank you very much for allowing us to be here today.

Mr. CRAPA. I think your slide presentation captures the enjoyment of a community garden.

Mr. Richmond wants you to know that with the help of groups such as yours and the New York Horticulture Society, this subcommittee will put together a bill that will encourage the kinds of activities you have shown us. He hopes that we can call on you again for advice on creating and fostering community garden programs. Thank you very much.

We can close the hearing.

[Whereupon, at 3:10 p.m., the hearing was adjourned.]





