

Y4
Ag 8/3
F 73/5

1032-B

95/14
Ag 8/3
F 73/5

INTERNATIONAL FOOD RESERVES

GOVERNMENT
Storage

HEARING

BEFORE THE

SUBCOMMITTEE ON

FOREIGN AGRICULTURAL POLICY

OF THE

COMMITTEE ON AGRICULTURE,

NUTRITION, AND FORESTRY

UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

S. 2278

A BILL TO ESTABLISH AN INTERNATIONAL EMERGENCY FOOD RESERVE,

S. 2641

A BILL TO ESTABLISH A PUBLIC LAW 480 FOOD RESERVE FOR FAMINE RELIEF, AND FOR OTHER PURPOSES, AND

S. 2869

A BILL TO AUTHORIZE THE ESTABLISHMENT OF AN INTERNATIONAL EMERGENCY WHEAT RESERVE, AND FOR OTHER PURPOSES

APRIL 21, 1978

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1978

KSU LIBRARIES
11700 44866
006TTV

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

HERMAN E. TALMADGE, Georgia, *Chairman*

JAMES O. EASTLAND, Mississippi	BOB DOLE, Kansas
GEORGE McGOVERN, South Dakota	MILTON R. YOUNG, North Dakota
JAMES B. ALLEN, Alabama	CARL T. CURTIS, Nebraska
WALTER D. HUDDLESTON, Kentucky	HENRY BELLMON, Oklahoma
DICK CLARK, Iowa	JESSE HELMS, North Carolina
RICHARD B. STONE, Florida	S. I. HAYAKAWA, California
PATRICK J. LEAHY, Vermont	RICHARD G. LUGAR, Indiana
EDWARD ZORINSKY, Nebraska	
JOHN MELCHER, Montana	
KANEASTER HODGES, Jr., Arkansas	

HENRY J. CASSO, *Staff Director*

SUBCOMMITTEE ON FOREIGN AGRICULTURAL POLICY

RICHARD B. STONE, Florida, *Chairman*

EDWARD ZORINSKY, Nebraska	HENRY BELLMON, Oklahoma
HERMAN E. TALMADGE, Georgia	BOB DOLE, Kansas
KANEASTER HODGES, Jr., Arkansas	RICHARD G. LUGAR, Indiana

(II)

CONTENTS

	Page
Stone, Hon. Richard B., a U.S. Senator from Florida, opening statement...	1
Text of bills:	
S. 2278.....	2
S. 2641.....	6
S. 2869.....	9
U.S. Department of Agriculture report:	
Summary of S. 2278, S. 2641, and S. 2869 prepared by USDA.....	14

CHRONOLOGICAL LIST OF WITNESSES

Hathaway, Dale, Assistant Secretary for International Affairs and Com- modity Programs, USDA.....	15
Woodward, Don, international trade affairs representative, National Association of Wheat Growers.....	32
Hall, Michael L., president, Great Plains Wheat, Inc.....	34
Johnson, Reuben L., director of legislative services, National Farmers Union.....	40
Hammer, Thomas A., assistant director of national affairs, American Farm Bureau Federation.....	43
Minear, Larry, secretary, Interreligious Task Force on U.S. Food Policy..	52
McLaughlin, Martin, senior fellow, overseas development program.....	55

APPENDIX

Hall, Michael L., president, Great Plains Wheat, Inc., prepared state- ment.....	61
Minear, Larry, secretary, Interreligious Task Force on U.S. Food Policy..	63
Jones, Brennon, issues analyst, Bread for the World, prepared statement..	67
Goldberg, Richard W., president, National Grain & Feed Association, prepared statement.....	69

CONTENTS

THE HISTORY OF THE UNITED STATES OF AMERICA
FROM 1789 TO 1861
BY
JAMES M. SMITH
PUBLISHED BY
G. B. LIPPINCOTT & CO., PHILADELPHIA
1861

CONTENTS

THE HISTORY OF THE UNITED STATES OF AMERICA
FROM 1789 TO 1861
BY
JAMES M. SMITH
PUBLISHED BY
G. B. LIPPINCOTT & CO., PHILADELPHIA
1861

INTERNATIONAL FOOD RESERVES

FRIDAY, APRIL 21, 1978

U.S. SENATE,
SUBCOMMITTEE ON FOREIGN AGRICULTURAL POLICY OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The subcommittee met at 9 a.m., in room 324, Russell Senate Office Building, Hon. Richard B. Stone (chairman of the subcommittee) presiding.

Present: Senators Stone, Bellmon, Dole, and Lugar.

STATEMENT OF HON. RICHARD B. STONE, A U.S. SENATOR FROM FLORIDA

Senator STONE. Good morning, ladies and gentlemen.

It is a pleasure for me to begin this hearing on the establishment of an international food reserve.

There appears to be general support for the establishment of an international food reserve, but during this hearing we should explore a number of specific issues. These include the size of a reserve, how our U.S. component will fit into an international program and the prospects for this fall's negotiations of an international reserve.

At the 1974 World Food Conference in Rome, the United States went along with the establishment of an international reserve, to be composed of nationally held and controlled reserves. After the food conference in 1974, negotiations dragged on with only limited progress being made. There was little interest or commitment on the part of the United States until recently.

In the 1977 Food and Agriculture Act—Public Law 95-113—the Senate included a section calling for the establishment of an international reserve. However, as a result of jurisdictional problems on the House side, this provision was largely deleted in conference.

The administration has declared itself to be in favor of an international wheat reserve of 6 million tons, and this program was just recently announced as one step designed to help improve wheat prices.

We have three international reserve bills before us: The Humphrey bill, S. 2278, which parallels the international reserve section of last year's farm bill; the Lugar bill, S. 2641; and the administration's bill, S. 2869, which was introduced by Senator Talmadge.

At this time I will ask that those bills be included in the record, along with a summary of the three bills prepared by the Department of Agriculture.

[The bills and summary follow:]

95TH CONGRESS
1ST SESSION

S. 2278

IN THE SENATE OF THE UNITED STATES

NOVEMBER 2 (legislative day, NOVEMBER 1), 1977

Mr. HUMPHREY (for himself and Mr. BELLMON) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To establish an international emergency food reserve.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "International Emergency
4 Food Reserve Act of 1977".

5 SEC. 2. Section 111 of the Agricultural Act of 1949
6 (91 Stat. 953; 7 U.S.C. 1445f) is amended to read as
7 follows:

8 "INTERNATIONAL EMERGENCY FOOD RESERVE

9 "SEC. 111. (a) The President is authorized to enter
10 into negotiations with other nations to develop an interna-
11 tional system of food reserves to provide for humanitarian

1 food relief needs, and to establish and maintain a food reserve,
2 as a contribution of the United States toward the develop-
3 ment of such a system, to be made available in the event
4 of food emergencies in foreign countries. The reserve shall
5 be known as the International Emergency Food Reserve.

6 “(b) The Secretary shall, as soon as practicable, build
7 minimum stocks of food (including processed and blended
8 foods insofar as practicable) for the International Emergency
9 Food Reserve of no less than two million tons as an indica-
10 tion of the commitment of the United States to the establish-
11 ment of an international system of food reserves. Pursuant to
12 an international agreement on food reserves, the Secretary is
13 authorized to increase the stocks to a level not greater than
14 six million tons.

15 “(c) As soon as practicable, following the effective date
16 of an international agreement on food reserves, the Secretary
17 shall adjust the maximum level of stocks to such level as may
18 be established as a provision of the United States participa-
19 tion in such international agreement. The Secretary shall
20 reestablish such reserve to the level prescribed under the re-
21 spective cases provided for above by the earliest possible date
22 following any action under subsection (d) which has drawn
23 the reserves to a level less than two million tons. Such re-
24 serve may be acquired by the Commodity Credit Corporation
25 as the result of defaults on loans made under price support

1 programs administered by the Secretary. The Secretary may
2 also acquire such reserve through purchases by the Com-
3 modity Credit Corporation on the market to the extent that
4 quantities acquired by the Commodity Credit Corporation
5 under price support operations are inadequate.

6 “(d) Food in the International Emergency Food Re-
7 serve may be disposed of only under the following circum-
8 stances:

9 “(1) Such food may be used for the purpose of
10 providing humanitarian relief in any foreign country
11 which suffers a major disaster, as determined by the
12 President.

13 “(2) Such food may be used for the purpose of as-
14 sisting any developing country to meet its food require-
15 ment in any year in which there has been such a severe
16 shortfall in food production, as determined by the Secre-
17 tary, as to warrant the use of United States food for
18 such purpose.

19 “(e) Notwithstanding any provision of this Act, the
20 Secretary shall provide for the periodic rotation of stocks of
21 the International Emergency Food Reserve to avoid spoilage
22 and deterioration of such stocks, using programs author-
23 ized by the Agricultural Trade Development and Assist-
24 ance Act of 1954, as amended, but any quantity removed
25 from the reserve for rotation purposes shall be promptly re-

1 placed with an equivalent quantity. Notwithstanding any
2 other provision of law, none of the stocks of food in the
3 International Emergency Food Reserve shall be included
4 in the Secretary's determination of the carryover of wheat,
5 feed grains, rice, or soybeans."

95TH CONGRESS
2D SESSION

S. 2641

IN THE SENATE OF THE UNITED STATES

MARCH 3 (legislative day, FEBRUARY 6), 1978

Mr. LUGAR introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To establish a Public Law 480 food reserve for famine relief, 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 the Agricultural Trade Development and Assistance
4 Act of 1954 is amended by adding at the end thereof the
5 following new title:

6 “TITLE V—FOOD RESERVE

7 “ESTABLISHMENT AND MAINTENANCE OF FOOD RESERVE

8 “SEC. 501. (a) Notwithstanding any other provision
9 of law, the Secretary of Agriculture shall establish and
10 maintain a reserve of food grains (wheat, rice, feed grains)
11 not to exceed 7.5 million tons (MTGE) in order to assure

1 that adequate supplies of food grains are available to carry
2 out the purposes of this Act.

3 “(b) The food reserve required under subsection (a)
4 of this section shall be established and maintained through
5 transfers of food grains acquired by the Commodity Credit
6 Corporation under price support programs and from com-
7 mercial purchases to be made only when the Secretary of
8 Agriculture determines that the domestic supply of the
9 commodity to be purchased is adequate to meet domestic
10 requirements, anticipated commercial exports, adequate
11 carryover, and food aid programing requirements.

12 “(c) To the maximum extent feasible, the Secretary of
13 Agriculture shall maintain a ration of wheat, rice, and feed
14 grains in the food reserve required under subsection (a) of
15 this section in general accordance to the ratio of use of such
16 commodities in food aid programing.

17 “(d) The Secretary of Agriculture shall promptly
18 replenish any stocks released from the reserve for rotational
19 or management purposes.

20 “RELEASE OF RESERVE STOCKS

21 “SEC. 502. The Secretary of Agriculture shall release
22 commodities from the food reserve only when the criteria of
23 section 401 of this Act for disposition of food aid is met and
24 such commodities are needed—

25 “(i) to meet minimum distribution requirements for

1 emergency famine relief and other purposes as set forth
2 in section 201 of this Act, or

3 “(ii) to meet a program level under title I of this
4 Act equal to the average tonnage of food grains allo-
5 cated and agreed to deliver under title I during the three
6 previous fiscal years.

7 “FUNDING AUTHORIZATION AND APPROPRIATION

8 “SEC. 503. (a) The Secretary shall use the funding
9 authorities of the Commodity Credit Corporation Charter
10 Act to establish and maintain the food reserve. There is
11 hereby authorized to be appropriated such sums as may be
12 necessary to reimburse the Commodity Credit Corporation
13 for costs incurred in the establishment and maintenance of
14 the reserve.

15 “(b) Notwithstanding any other provision of law, the
16 Secretary shall determine the reimbursement due the Com-
17 modity Credit Corporation whenever commodities are re-
18 leased to meet the requirements of section 502 of this Act.
19 Such reimbursement shall cover the acquisition cost of the
20 commodity plus storage and handling expenses.

21 “REPORT TO THE CONGRESS

22 “SEC. 504. The Secretary shall report promptly to the
23 Congress whenever any commodities are released for pro-
24 gramming from the food reserve established under section 501
25 of this Act.”.

S. 2869

IN THE SENATE OF THE UNITED STATES

APRIL 10 (legislative day, FEBRUARY 6), 1978

Mr. TALMADGE (by request) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To authorize the establishment of an international emergency wheat reserve, 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 this Act may be cited as the "International Wheat
4 Reserve Act of 1978".

5 SEC. 2. The Congress hereby declares it to be the policy
6 of the United States to develop a wheat reserve to provide
7 for emergency humanitarian and developmental food needs
8 abroad and to fulfill any reserve stock obligations of the
9 United States under the Wheat Trade Convention.

10 SEC. 3. In order to carry out the policy and accomplish
11 the objectives set forth in section 2 of this Act, the President

1 shall establish a reserve stock of wheat of up to six million
2 metric tons: *Provided*, That, in the event the United States
3 undertakes any reserve stock obligations under the Wheat
4 Trade Convention, the maximum may be increased to such
5 level as the President deems necessary to carry out section
6 5 (a) of this Act.

7 SEC. 4. Stocks of wheat for such reserve may be acquired
8 (1) through purchases from producers or in the market:
9 *Provided*, That the Secretary of Agriculture (hereinafter
10 referred to as the "Secretary") determines that such pur-
11 chases will not unduly disrupt the market, and (2) by
12 designation by the Secretary of stocks of wheat acquired
13 by the Commodity Credit Corporation.

14 SEC. 5. (a) Notwithstanding any other provision of law,
15 stocks of wheat so designated or acquired for the wheat
16 reserve provided for by this Act may be released by the
17 President for sale or donation for the following purposes:

18 (i) to provide humanitarian relief in any foreign
19 country which suffers a major disaster as determined by
20 the President;

21 (ii) to assist any developing country to meet its
22 food requirements in any year in which the market price
23 of wheat is high and the United States domestic supply
24 of wheat is limited so as to warrant release from the re-
25 serve for this purpose; or

1 (iii) to fulfill any reserve stock obligations of the
2 United States under the Wheat Trade Convention.

3 (b) In making the determination to release wheat for
4 the purposes of clauses (i) and (ii) of subsection (a) of this
5 section, the President shall take into consideration food
6 assistance authorized under the Agricultural Trade Devel-
7 opment Assistance Act of 1954.

8 (c) The President may designate a portion of the
9 reserve to be utilized only for the purpose of clause (iii)
10 of subsection (a) of this section.

11 SEC. 6. (a) Upon determination by the President under
12 section 5 (a) that wheat shall be released from the reserve,
13 the Secretary is authorized to make all necessary arrange-
14 ments for the release and disposition thereof on such terms
15 and conditions as the Secretary determines will effectuate the
16 purposes of this Act.

17 (b) Wheat released from the reserve for the purposes of
18 clauses (i) and (ii) of section 5 (a) may, as determined
19 by the President, be made available pursuant to agreements
20 which the President enters into with representatives of for-
21 eign governments or under the Agricultural Trade Develop-
22 ment and Assistance Act of 1954: *Provided*, That the last
23 sentence of section 401 (a) of such Act with respect to de-
24 termination of availability shall not be applicable thereto.

25 (c) The Secretary is authorized to pay, with respect to

1 stocks of wheat released from the reserve for donation for
2 the purposes of clauses (i) and (ii) of section 5 (a), costs
3 of processing, transportation, handling, and other incidental
4 costs to designated points abroad.

5 SEC. 7. The Secretary shall provide for the storage of
6 stocks of wheat in the reserve and for the periodic rotation of
7 stocks of wheat in the reserve to avoid spoilage and deteriora-
8 tion of such stocks, utilizing programs authorized by the
9 Agricultural Trade Development and Resistance Act of 1954
10 and any other provision of law, but any quantity removed
11 from the wheat reserve for rotation purposes shall be
12 promptly replaced with an equivalent quantity.

13 SEC. 8. Stocks of wheat in the reserve shall not be con-
14 sidered a part of the total domestic supply including carry-
15 over, for the purposes of section 5 (a) (ii) or for the purpose
16 of administering the Agricultural Trade Development and
17 Assistance Act of 1954, and shall not be subject to any
18 quantitative limitations on export which may be imposed
19 pursuant to section 3 (2) (A) of the Export Administra-
20 tion Act of 1969 (50 U.S.C. App. 2413).

21 SEC. 9. (a) The funds and authorities of the Commodity
22 Credit Corporation shall be utilized by the Secretary in
23 carrying out this Act: *Provided*, That any restrictions appli-
24 cable to the acquisition, storage or disposition of Commodity
25 Credit Corporation owned or controlled commodities shall

1 not apply with respect to the acquisition, storage or disposal
2 of wheat for or in the reserve.

3 (b) The Commodity Credit Corporation shall be reim-
4 bursed from funds made available for carrying out the Agri-
5 cultural Trade Development and Assistance Act of 1954 for
6 wheat released from the reserve which is made available
7 under such Act, such reimbursement to be made on the basis
8 of actual costs incurred by Commodity Credit Corporation
9 with respect to such wheat or the export market price of
10 wheat, as determined by the Secretary, as of the time the
11 wheat is released from the reserve for such purpose, which-
12 ever is lower. Such reimbursement shall be made from funds
13 appropriated for that purpose in subsequent years.

14 SEC. 10. Any determination by the President or the
15 Secretary under this Act shall be final.

SUMMARY OF S. 2278; S. 2641; AND S. 2869—PREPARED FOR THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY BY THE DEPARTMENT OF AGRICULTURE

COMPARISON OF HUMPHREY, TALMADGE, AND LUGAR BILLS

Purposes

The Humphrey Bill closely links the development of an international emergency food reserve to an international system of food reserves which would provide for humanitarian food relief needs. This provision is confusing since the international reserve system now under discussion in the International Wheat Agreement negotiations relates to reserves for commercial market stabilization not to meet humanitarian food relief needs. Under the Humphrey Bill, could the emergency food reserve be used to fulfill U.S. obligations in the Wheat Trade Convention of the IWA? Moreover, if such an international reserve system is not developed, does the Humphrey Bill allow the emergency reserve to be established for U.S. bilateral food aid and food emergency purposes? The Humphrey Bill is ambiguous on the above points.

The Talmadge Bill, on the other hand, clearly distinguishes between the uses of such special emergency reserve. The IEWR would be used on a bilateral basis to meet emergency humanitarian and developmental food needs abroad. It also could be used in a multilateral context to fulfill U.S. obligations under a new International Wheat Agreement should a new agreement with reserve obligations be developed.

The Lugar Bill limits the purpose of the reserve to assure that adequate supplies of food grains are available to carry out the purposes of P.L. 480.

Size and composition

The Humphrey Bill allows for the accumulation of no less than 2 million tons of food including processed and blended food, as soon as practicable, and pursuant to an international agreement on reserves to increase reserves to no greater than 6 million tons. The maximum level of reserves may be adjusted to comply with obligations agreed to when the international agreement becomes effective.

The Talmadge Bill provides for the establishment of reserve stocks of wheat of up to 6 million tons, provided that this level could be increased to meet any reserve stock obligations under the Wheat Trade Convention of a new International Wheat Agreement.

The Lugar Bill calls for the establishment of a reserve of food grains (wheat, rice, feed grains) not to exceed 7.5 million tons (metric ton grain equivalent) to be maintained in general accordance to the ratio of the use of such commodities in food aid programming.

Acquisition of reserves

The three bills have somewhat similar provisions for the acquisition of reserves.

The Humphrey Bill provides that reserves may be acquired by CCC as a result of defaults on loans or through purchases by CCC on the market to the extent quantities acquired by CCC through price support operations are inadequate.

The Talmadge Bill provides for the establishment of reserve stocks of wheat will not unduly disrupt the market, and for designation of CCC wheat stocks for the reserve.

The Lugar Bill provides for designation of CCC stocks to the reserve and for commercial purchases when domestic supplies are adequate to meet domestic requirements, anticipated commercial exports adequate carryover and food aid requirements.

Release of reserves

The three bills provide for specific conditions under which reserves can be released.

The Humphrey Bill calls for release of reserves to provide for humanitarian relief in any foreign country having a major disaster or a severe shortfall in food production. It is unclear, however, how this provision relates to the international reserve system called for in the Humphrey Bill.

The Talmadge Bill provides for the establishment of reserve stocks of wheat disaster, (2) to assist a developing country to meet its food requirements when

wheat prices are high and U.S. wheat supplies are limited, (3) to fulfill obligations under the Wheat Trade Convention of the International Wheat Agreements.

The Lugar Bill provides that the Secretary of Agriculture will release commodities from the food reserve only when the criteria of section 401 of P.L. 480 for disposition of food aid are met and such commodities are needed; (1) to meet emergency famine relief and (2) to meet a program level under Title I of P.L. 480 equal to the average tonnage of food grains delivered under Title I during the three previous years. The provision of the Lugar Bill to meet criteria of Section 401 of Public Law 480 before commodities are released from the reserve is troublesome. If Section 401 is to be met then there must be an adequate supply to meet domestic requirements, adequate carryover, and anticipated commercial exports. If there is an adequate supply to meet these requirements, drawing from the reserve may not be necessary. On the other hand, if Section 401 is not met, i.e., there is not an adequate supply to meet normal requirements, the CCC cannot draw from the reserve. It is precisely this latter point why the reserve is necessary; i.e. to meet urgent food aid requirement when domestic supplies are not adequate. It appears the Lugar Bill has the logic of the reserve turned around.

Funding authorization and appropriation

The Humphrey Bill does not contain provisions for funding authorization or appropriation.

The Talmadge Bill provides that the CCC be reimbursed from funds made available for carrying out Public Law 480 for wheat released from the reserve which is used for Public Law 480 purposes. The reimbursement will be made from funds appropriated to Public Law 480 in subsequent years. The Bill authorizes payment of costs of processing, transportation, and handling and other costs to designated points abroad for stocks released from the reserve for donation.

The Lugar Bill authorizes funds be appropriated for costs incurred in the establishment and maintenance of the reserve and also allows reimbursement for acquisition cost of commodity plus storage and handling expenses to meet the release requirements specified in Section 502 of the bill.

Senator STONE. I am delighted that we have a distinguished list of witnesses with us today to discuss these issues. Our hearing record will remain open for 10 days to accommodate additional statements.

We will hear first from the administration witnesses: Dr. Dale Hathaway, Assistant Secretary of Agriculture for International Affairs and Commodity Programs, and Mr. Stephen Bosworth, Deputy Assistant Secretary for International Resources and Food Policy of the Bureau of Economic and Business Affairs of the Department of State.

I will ask that the staff to time oral statements, which will be limited to 10 minutes.

Is Mr. Bosworth with you today?

Dr. HATHAWAY. Mr. Bosworth, after discussion with your staff, felt that I would be sufficient to present the administration's point of view.

Senator STONE. We welcome you here today, Dr. Hathaway, and ask that you proceed.

**STATEMENT OF DALE HATHAWAY, ASSISTANT SECRETARY FOR
INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S.
DEPARTMENT OF AGRICULTURE**

Dr. HATHAWAY. I do have a statement that I would ask to be added to the record, verbatim. I would like to cover the major por-

tion of it, in part, and answer some questions that subsequent witnesses may also address.

Mr. Chairman, I welcome this opportunity to speak to you today about the administration's proposal for an International Emergency Wheat Reserve.

The concept of an international emergency reserve has been widely discussed in Congress since legislation was introduced by Senator Hubert Humphrey last year. The Food and Agricultural Act of 1977 encourages the President to negotiate an international reserve system and to establish and maintain such a reserve. At the time of the first announcement on the wheat set-aside program for the 1978-79 crop, the administration announced its intention to seek congressional approval for an emergency reserve. After detailed discussion and preparation within the executive branch, the proposed legislation has been developed which builds upon the original idea advocated by Senator Humphrey.

This emergency reserve is an important component in the administration's coordinated effort to assure that the United States can both do its part in fighting world hunger even when prices are very high and to protect the American farmer from excessively low prices during periods of excess supply. As the reserve is acquired, it will help farm prices strengthen. This will be an additional tool available to the Secretary of Agriculture in his effort to assure adequate returns to America's producers. Once the reserve is created, the United States can be sure that severe crop failures will not jeopardize our capacity to provide assistance needed to reduce malnutrition and prevent famine in poorer, developing countries. Also, with this new authority, the United States would have the authority to participate in an international reserve system of reserve stocks under a Wheat Trade Convention, which is now under active negotiation.

Let me first describe how this International Emergency Wheat Reserve—the I.E.W.R.—would back up food aid programs.

There are two general circumstances in which the I.E.W.R. would be used to back up food aid commitments.

First, the reserve would insure that the United States could continue to meet priority food assistance needs even in years of short supplies and high commercial prices. The situation in 1973-75 is the primary example of circumstances in which the I.E.W.R. would have been used. During that period, the United States cut its food aid of grain and grain products from 7.9 million metric tons in fiscal year 1972 to 2.5 million tons in fiscal year 1974, largely to reduce budget and inflationary pressures. But the needs of some of the poorest, developing countries were especially acute at this time. We should strive to avoid this pattern, and the I.E.W.R. can help us to do so. With the I.E.W.R., we will not be forced to make difficult choices between commercial sales, severe domestic price pressures, and meeting the food needs of food deficit countries. In a year of tight supplies and high prices, the I.E.W.R. could be used to help meet priority food aid needs such as:

Critical food assistance needs of the poorest countries;

Quantities required to meet legislated minimums and committed through multiyear agreements;

Special Public Law 480 assistance projects which require continuity;

Assistance to developing countries with acute balance-of-payments problems in a given year;

U.S. obligations under a new Food Aid Convention.

Second, the I.E.W.R. also could be used to provide humanitarian relief in foreign countries which suffer major disasters, especially a disaster which causes a major shortfall in its food production such as drought, flood, or typhoon. An example of such a situation might be a repeat of the drought in South Asia during the mid-1960's when massive amounts of food aid were required to prevent hunger and starvation. The I.E.W.R. would be used for this purpose only if quantities of food aid available through other channels were not adequate.

I should add that the United States is now in the process of attempting to negotiate a new Food Aid Convention. We have proposed that this new Convention reach the World Food Conference target of 10 million tons of food aid each year. Toward that goal, the United States pledged that it would commit a minimum of 4.47 million tons of grains annually to the new Food Aid Convention. If this new Convention is negotiated and ratified by the Senate, the United States would then be obligated to provide at least this amount of food aid during each year of the Convention. The I.E.W.R. would assure that we could do so. Also, the United States has proposed that a new Food Aid Convention include a special provision for emergency needs. Under this provision, all donor countries—not just exporters or selected donors—would increase their food aid above minimal levels in times of special need by developing countries. If this provision is adopted and ratified, the I.E.W.R. would help assure our capacity to meet these commitments.

The administration's bill would allow for the I.E.W.R. to be released for use through the Public Law 480 program or by direct government-to-government arrangements. The ongoing Public Law 480 program is, of course, the instrument of U.S. food aid. In all but extraordinary circumstances, we would expect the I.E.W.R. to be channeled through Public Law 480 programs. However, the legislation also provides for the unusual circumstance in which the President must act quickly to meet large emergency food needs. As a safeguard, the President should have the authority for a direct Government-to-Government program outside of the current Public Law 480 apparatus.

The I.E.W.R. would be owned by the Commodity Credit Corporation. But these stocks will not overhang the market and hold down prices. After acquisition, they would be isolated from the market and held only for release in the extreme circumstances in which other supplies are not readily available. When released for food aid purposes, the reserve would be channeled to developing countries, which might not be able to buy food in commercial markets at those times.

The administration's bill also provides authority to use part of this reserve to fulfill possible U.S. obligations under a Wheat Trade Convention. As you know, negotiations have been underway for

sometime on a new International Wheat Agreement which would include both a Wheat Trade Convention and a Food Aid Convention. For the new Wheat Trade Convention, the United States and other countries have proposed a coordinated system of nationally held reserve stocks and other adjustment measures which would be designed to bring about world supply-demand adjustments to moderate extreme price fluctuations. The United States has supported this proposal because it would provide greater sharing of the burden of these adjustments and assure greater world food security.

As I have already explained, the first purpose of the proposed reserve is to back up U.S. food aid programs. We should create such a reserve regardless of the outcome of the International Wheat Agreement. But if the proposed Wheat Trade Convention is successfully negotiated, this would reduce the likelihood of extreme scarcity and extremely high prices. The United States would therefore have less need for the size of a separate reserve to support food aid. Thus, if the Wheat Trade Convention is approved by the Senate as a treaty, the legislation would allow the United States to adjust its reserve program as appropriate under those circumstances. Part of the reserve would be earmarked to meet obligations under the Wheat Trade Convention. Another part would continue to be held only for food aid purposes. Of course, the nature of such adjustments would be reviewed by the Senate when the Wheat Trade Convention is submitted for ratification.

Now, the Wheat Trade Convention may not be negotiated until September. But we need this authority now in order to indicate to other countries that the United States could implement its possible reserve obligations. To date, the credibility of the U.S. position in the negotiations has been weakened by lack of such clear authority, since other countries realize that our loan programs, including the farmer-owned reserve, may not be adequate to meet the obligations proposed in the Convention.

I would be happy to answer any questions which the committee members may have about the proposed legislation.

Senator STONE. Thank you, Dr. Hathaway, I will ask several questions, then I am going to turn the chair over to Senator Henry Bellmon of Oklahoma, who will preside.

Dr. Hathaway, some of our producers are quite concerned about the impact of a reserve, any reserve, on market prices. What, in detail, would be the mechanics of the acquisition of commodities, and how would they be released?

Dr. HATHAWAY. Well, we are talking in terms of the international emergency reserve, first.

Senator STONE. OK.

Dr. HATHAWAY. Assuming that we acquire the necessary legislative authority, they would be purchased by the Commodities Credit Corporation, and held for the purposes that are designated in the bill.

The release would in essence be also for the purposes specified in those conditions, whereby it was necessary to tap this source in order to back up our food aid commitments, or to meet special emergency food aid arrangements.

The portion that would authorize the United States to participate in an international Wheat Trade Convention would have specified acquisition prices as part of that Convention. In other words, various countries would agree, under the Convention, as we have proposed it and are negotiating it, to acquire wheat at a time when prices are falling, in order to bring about an adjustment and prevent the kind of extreme price decline we have seen over the last marketing year.

It would have a release mechanism, specified in terms of prices and release rates, at the upper end, and these would be at some level above our farmer-owned reserve programs, so that our farmer-owned reserves would in fact be back in the market at some point, probably well before we reach the release prices for the international portion of the reserve under a Wheat Trade Convention.

Senator STONE. Now, speaking of the international reserve program, who would be the coordinator—both as an agency and individual—in the current state of the administration's thinking? Where would be the best single point for us to stay in touch, for informational purposes?

Dr. HATHAWAY. Well, in terms of the status of the agreement, and the way in which it would be administered, I personally happen to be the head of the delegation to the negotiating convention.

Senator STONE. It is fair to say that you are the proper contact for the—

Dr. HATHAWAY. I would therefore be glad to be the contact—or my deputies who have been working with me—since the first two spots on the negotiating team are held by employees of the U.S. Department of Agriculture. We also have on our delegation representatives of the Department of State, the Special Trade Representative, and the Treasury Department. But the leadership has been taken by the Department of Agriculture in this entire negotiation.

Senator STONE. Thank you, Dr. Hathaway.

By the bill that you have provided for Senator Talmadge to introduce, S. 2869, I take it that you prefer clearly identifying the reserve rather than tying this program just to Public Law 480?

Dr. HATHAWAY. Yes.

Senator STONE. Why?

Dr. HATHAWAY. We believe that there are some circumstances in which the administrative machinery, and the requirements that are now involved in Public Law 480, are such that it would not be possible to complete the arrangements in order to meet an emergency of a type that has existed in the past, and which would occur under rare circumstances.

If you like, I would be more explicit. Public Law 480 has, among other things mandated by the Congress, a 75-25 provision. Public Law 480 has certain requirements regarding—it is a loan program. In some portions, a grant program.

It does, in some cases, require a substantial negotiation regarding the uses of certain things. It has certain what are called "the usual marketing requirements" that require additional purchases under some circumstances, and there are situations in which we believe

that the President of the United States ought to have the authority to meet the emergency needs of countries without meeting—

Senator STONE. Some of these tests?

Dr. HATHAWAY [continuing]. Some of these tests that are now required, legislatively, under Public Law 480.

Senator STONE. Dr. Hathaway, why only wheat in the administration's bill?

Dr. HATHAWAY. We believe that, for food aid purposes, that wheat is the most efficient, in terms of cost, and the one commodity which is most likely to meet the food aid needs of virtually every country in the world. And thus, we have proposed that it be limited to wheat, in order to reduce the cost and to have a commodity which could meet virtually all of the extraordinary food needs.

Senator STONE. If you do not achieve a new International Wheat Agreement—that you are negotiating for now—would you still be interested in establishing an international wheat program of the type in these bills?

Dr. HATHAWAY. If we do not successfully negotiate an International Wheat Agreement, then that portion of the legislation that authorizes participation in such would obviously become inoperative. It would not become operative until approved by the Senate of the United States.

Senator STONE. But would you want this kind of program, even if you do not get an agreement?

Dr. HATHAWAY. We think that in the event that there is no International Wheat Agreement, which brings about some kind of coordinated action, that in fact the need for an emergency reserve may be greater, rather than less, because of the fact that we then have no international coordination and could very easily face another 1974 situation.

Senator STONE. Now, the 6 million tons that you are recommending in the administration bill, what would the significant impact be on wheat prices in the market? What would you think the impact would be?

Dr. HATHAWAY. I have to be very candid and tell you that I cannot accurately predict the impact. It is, I believe, quite clear that the purchase of 6 million tons of wheat will have a price-increasing impact, as it is purchased, and that the purchases would be made in a fashion, and in a way, which takes into account the price at the time. But I cannot predict it, because in part it will be a result of other supply-demand conditions at the time also.

Senator STONE. In reviewing these bills that we are considering, do you feel that the procedures for both acquisition and relief would be adequate to protect our producers?

Dr. HATHAWAY. We certainly intend that they be so. We have—

Senator STONE. The road to hell is paved with good intentions.

Dr. HATHAWAY. I understand that.

Certainly I see no problem on the acquisition side inasmuch as I assume that most wheat producers are in favor of activities that tend to increase the price of their product.

On the release side, we are trying to make it quite clear that this would not be released in a way that would depress market prices or overhang the market, that it would be, in fact isolated from the

market—to be used in extraordinary circumstances for emergency purposes.

The acquisition and release prices, if a wheat agreement is negotiated would, in fact, be clearly specified. And we—as some of your later witnesses can tell you—have had substantial discussion with and advice from our wheat producer groups who are part of our delegation to the negotiations.

Senator STONE. Just two more questions, Dr. Hathaway.

What are your views right now? How optimistic are you and what is the state of progress of the International Wheat Agreement?

Dr. HATHAWAY. I am relatively optimistic at the present time. The major stumbling block has been a difference, a very substantial difference between the European Economic Community and the four major exporters of wheat on certain rights and obligations at what they call “minimum” and “maximum” prices. Two separate bilateral meetings with the European Economic Community appears to have cleared up this difficulty to our satisfaction, and thus I believe it is quite likely that we will successfully negotiate an International Wheat Agreement by the end of September.

Senator STONE. Would it be fair to say that the administration’s position at this time is that you are urging enactment of this kind of legislation, but would be probably urging the administration itself to hold up actually establishing the reserve until you can determine what other nation—or nations—are prepared to share in the wheat and food responsibilities, or reserve responsibilities?

Dr. HATHAWAY. On the international emergency reserve aspects of it, we intend to proceed on the basis of the United States’ interest and commitments to food aid. It is quite clear that the other part, the authorization for an internationally coordinated reserve for Wheat Trade Convention purposes, would only be initiated after there had been a successful negotiation and a ratification of the Convention by the Senate.

Senator STONE. Thank you very much, Dr. Hathaway.

I am going to pass the gavel to Senator Bellmon. I thank Senator Bellmon for presiding. I appreciate it.

Senator BELLMON [presiding]. Dr. Hathaway, you are probably aware that I have been interested in the international food reserve program for a long time. I joined with Senator Humphrey in sponsorship of S. 2278, which was introduced last November. The administration has now come forward with S. 2869, which was introduced in April of this year.

Can you tell me briefly the differences between these two bills?

Dr. HATHAWAY. Basically it is very close. But in the previous bill it is not completely clear as to whether or not it would allow this international emergency reserve to be established for the United States bilaterally, and there are certain ambiguities involved.

The basic intent is the same, and we thought there needed to be some clarification, and thus have included a proposal that would allow us also to designate under this legislation a reserve program in a Wheat Trade Convention, which we did not feel was specifically clarified in the original bill.

Senator BELLMON. Would it not be fairly easy to amend the original bill to take care of that deficiency?

Dr. HATHAWAY. Yes. If this was an alternative route. And it could have, in fact, been handled in that fashion.

Senator BELLMON. Well, to me, there are some things about your bill that trouble me. First, on page 2, line 21, you say: "To assist any developing country to meet its food requirements in any year in which the market price of wheat is high."

What is "high"?

Dr. HATHAWAY. We are assuming that this would be well above the price at which the farmer owned reserve program would be back in the market.

Senator BELLMON. Now, your reference here is to developing countries. What you are saying to me is—and I will use my wording—you are going to be dumping our wheat into developing countries any time their wheat prices get good. And to me that is a disaster because here you have these farmers—take Bangladesh as an example. It is probably as good as any.

You go to the money lenders and pay 10 percent to buy fertilizer and buy improved seed. In order to get their money back, they have to have a good price for wheat. So when wheat prices get good, along comes Uncle Sugar and dumps wheat into their market, breaks their prices. And these people are unable to get enough to feed their own people.

Dr. HATHAWAY. Senator, that is not at all the intent. The world market price is referred to, not the internal price.

Consider what would happen in a country like Bangladesh—the seventies being a good case in point. In 1972 they suffered, late in the season, a major typhoon, and this created extremely serious pressures. The problem in Bangladesh was not that the prices at that time for farmers were depressed. It was the fact that prices had increased at something in the order of fourfold, and that the people in the country could not afford to buy.

Now, in that situation, since the U.S. had adequate quantities of wheat and could have provided it—and did provide it under Public Law 480—we would normally use the regular Public Law 480 route.

In 1974, Bangladesh had another extremely crucial situation. At that time, world wheat prices were extraordinarily high, and the officials in the U.S. Government found themselves, because of supply availabilities and budget constraints, unable to meet the food needs of those people even though their farmers again were receiving extraordinarily high prices, and their consumers were literally being starved out of the market, their low income consumers.

Senator, we are very conscious of the internal price depressing effects, but this would be in a situation in which their internal prices would be extraordinarily high, not low.

Senator BELLMON. But you do not say that. You say when the "market price of wheat is high." To me there is nothing evil about wheat prices being high. I think the evil comes when they are low because those low prices do not translate into low prices. The price of bread does not go down at all when wheat prices go down. Until we have wheat prices at some reasonable level—ultimately we are going to run out of wheat. That is the same thing in other countries.

I think your bill has the impact—we want to keep wheat prices down—is headed actually in the wrong direction. You do not find that kind of language in the Humphrey bill.

I think you could relate your bill to supply in the country we are trying to help and not have to make the impression that we are trying to keep wheat prices cheap.

Dr. HATHAWAY. Well, it is intended to be related to supply conditions and—

Senator BELLMON. Where is that?

Dr. HATHAWAY. I am sorry. I think it is probably not specified in exactly that way.

Senator BELLMON. Why can you not write a bill that relates to the supply conditions in the recipient country? You are talking here that when the "U.S. domestic supply of wheat is limited," what is a limited domestic supply of wheat?

Dr. HATHAWAY. Well, there have been times in which the available supply was such that someone—I was not personally in the Government at that time—made the judgment that it was not possible to meet our commercial market sales, our domestic market requirements, and the food aid commitments that some people felt very strongly were needed by the developing countries. In someone's judgment, the supplies were inadequate.

There is, I believe, in section 401 of the law certain requirements regarding the supply availability that the Secretary of Agriculture must—

Senator BELLMON. Where is that section?

Dr. HATHAWAY. Section 401 of Public Law 480 requires that certain matters be authorized in terms of adequate supply in order to program food aid.

Senator BELLMON. But now back again to this paragraph at the bottom of page 2; "The supply of wheat is always limited."

To me what you have done here is written a bill so broad and so subject to administrative interpretation that it gives the Secretary, or the Administrator of this program, total freedom to do anything he wants to. It says:

To assist any developing country to meet its food requirements in any year in which the market price of wheat is high and the U.S. domestic supply of wheat is limited.

To me you are going to be giving somebody the right to get up in the morning and say: "We are going to help a developing country today."

Dr. HATHAWAY. As I have indicated in my earlier statement, we would expect that the normal procedures for Public Law 480 would be applied, which means that normally we would go into our domestic market for the supplies to meet our food aid commitments. Except under unusual circumstances, they would be met from current market supplies.

Senator BELLMON. Statements like our committee reports, they do not translate into binding legislation. Would you agree that this paragraph could be tightened up?

Dr. HATHAWAY. I agree that it might be made more precise. I do believe that it is desirable that the President have escape clause

authority, in essence, to act in emergencies without requiring sometimes extensive procedures that are involved in either major supplemental authorization or legislative changes.

Senator BELLMON. Now, then, section 401(a), which you repeal at the bottom of page 3:

No commodities shall be available for disposition under this Act if such disposition reduces the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars as determined by the Secretary of Agriculture at the time of the exportation of some commodities.

That is what you are repealing?

Dr. HATHAWAY. Only for the food aid commitments. That is exactly, Senator, what I was referring to.

Under that section it does put a limit upon the ability of the Government of the United States under certain circumstances to, in fact, meet its food aid commitments, if that section of the law is followed as we believe it was intended to be.

It was that section, I believe, that was the main section that caused the United States to sharply reduce its food aid during the 1974 year. We believe that for this purpose, to allow us to use this reserve, that that section should be waived. Not generally.

Senator BELLMON. Let us see if I understand the situation if the act, as you have introduced, becomes law.

This section would be waived so that even though we needed grain in this country, even though you use this language: "The supply was below that needed to meet the domestic requirement," we would still be sending grain abroad?

Dr. HATHAWAY. We would still be able to meet our food aid commitments without withdrawing wheat either from commercial markets—which we have a desire to supply, because if we do not keep our commercial markets, somebody else will have them—or without putting on such pressure that we would not meet our domestic needs. This is exactly the purpose that we are proposing: To insure that we do not find ourselves in the position that we would withdraw from commercial markets in order to meet food aid commitments.

Senator BELLMON. But this does not relate to commercial markets. It says:

No commodity shall be available for distribution under this Act if such distribution would reduce the domestic supply below that needed to meet domestic requirements.

Dr. HATHAWAY. I believe——

Senator BELLMON [reading]:

Adequate carryover, anticipated exports—

And so forth.

Dr. HATHAWAY. It is with adequate carryover and anticipated exports for dollars that also becomes very important operative elements in this determination under section 401.

Senator BELLMON. Well, I am still mystified as to why you need to change that.

Also can you tell us the differences between the administration's bill and the bill introduced by Senator Lugar on this same subject? I believe it is S. 2641.

Have you looked at the Lugar bill?

Dr. HATHAWAY. Yes, sir.

The Lugar bill calls for the establishment of a reserve of food grains "wheat, rice, and wheat grain not to exceed"—and the Lugar bill provides for a designation of CCC stocks for reserve and commercial purposes when domestic supplies are adequate.

Now, we believe that the problem is that the Lugar bill does not, in fact, deal with the issue we are just discussing. It, in fact, requires us to continue to meet the criterion of section 401 of Public Law 480 before any release of the reserves are, in fact, authorized. And it is specifically that section we are just discussing because, in some sense, it appears—and I have not personally discussed this with Senator Lugar—that, while the original intent appears to be the same, the actual operation is such that this particular restriction, in essence, would create a problem. We could have a situation in which we had created this reserve for food aid purposes and found ourselves unable to use it under the 401 restriction of the Foreign Assistance Act.

Senator BELLMON. If that eventually arose, it would be only because the supply, the commodities was below that needed to meet the domestic requirements, adequate carryover and anticipated exports for dollars, would it not?

To me these are fairly important criteria that would be met. I do not think we want to ship grain out of the country that makes it impossible for us to keep our domestic requirements.

Dr. HATHAWAY. But we are suggesting that there are circumstances in which we clearly need to avoid conflict between commercial sales, domestic requirements, and food aid commitments. We want to be able to meet those food aid commitments. I believe you, Senator, said earlier you did not think high wheat prices were bad.

Senator BELLMON. I do not.

Dr. HATHAWAY. There are times in which those prices become so high that people have found, under section 401, that it is not possible to meet our food aid commitments, if that section is strictly interpreted. We are just suggesting that the President should have the authority to continue to meet those commitments under those conditions.

Senator BELLMON. My concern, then, Doctor Hathaway, if we provide to you—the Secretary of Agriculture—6 million tons of wheat, and give you the authority you have asked for, to determine when, in your judgment, the price of wheat is high, and allow you to assist any developing country to meet its food requirements at will, the—take the present situation, where currently the Chinese are coming here to buy wheat.

I do not know if they are a developing country, but I assume they meet the income standards that have been set, that identify which countries are developing. And if you felt that the price of wheat was getting high, then you would release wheat, from the reserve to China.

Dr. HATHAWAY. Well, I think there are numerous reasons that would not occur. One, I think there are a number of restrictions that make it—

Senator BELLMON. Where are the restrictions?

Dr. HATHAWAY. And other aspects of law. And the answer is that these are commercial sales, and as far as I know, in this specific case, the Peoples' Republic of China has never asked for food-aid assistance, and their purchases have been on a commercial basis. And I think they were not eligible for emergency assistance.

Senator BELLMON. Choose another country. Choose Bangladesh, if you would like. Let us assume—I do not know if they are. Let us assume they came here and were buying grain, and the price of wheat was, in your judgment, high.

Then you would be at liberty, if you chose, to start releasing wheat from this reserve to Bangladesh.

Dr. HATHAWAY. The reserve would be used only under those circumstances, where we felt that the normal procedures of Public Law 480—which uses commercial market channels—were not adequate to meet the needs of Bangladesh. If I could, I would try to, once again, go through what I consider are two different situations.

One is the situation where Bangladesh will be a major recipient of wheat from the United States this year, because even though they have relatively good crops, they have a substantial food deficit, and no foreign exchange. That wheat will be handled through the normal Public Law 480 procedures, and there is no question, under this, or any other legislation, regarding that.

But what if, however, we returned to a situation in which they had not just their normal deficit but they had a 2-million-metric-ton shortfall—at the time when the United States was in a situation as we were in 1974—with very substantial markets for cash in other parts of the world? This would require that we went for a supplemental appropriation for 2 or 3 million metric tons, additional, with wheat prices extraordinarily high prices.

That is the point at which we believe we would dip into the reserve, in order to meet the Bangladesh requirements.

There was a case in the sixties when this Government provided, in 2 successive years, I believe, in excess of 15 million metric tons of food aid to India because of the worst drought in their history.

Now, at that time the U.S. Government had acquired, under its program, very large stocks of wheat. And thus, that wheat was available to meet those requirements.

We do not believe the U.S. Government should acquire and hold large stocks of wheat. We do believe, and this is what we are proposing, that the Government ought to be able, under any circumstances—year in and year out—to meet its food aid commitments.

Senator BELLMON. Now, you have apparently determined that 6 million tons is the right quantity. What would be the effect if that 6 million tons were simply added to the quantities in the producer-owned reserve?

Dr. HATHAWAY. We do not have the ability—under the producer-owned reserve—to acquire that wheat for purposes at the time that we want it.

Senator BELLMON. Well, under the producer-owned reserve legislation, that wheat comes on the market, or is eligible to be sold, any time the price reaches—at the present time—about three and a quarter. That is not, you would agree, that is not a high price?

Dr. HATHAWAY. I would say that is not a high price but release is not required.

Senator BELLMON. Then when it gets to four and a quarter, which is not a terribly high price, the Secretary has the authority to call the loans?

Dr. HATHAWAY. Yes, sir.

Senator BELLMON. Which will put most of that wheat on the market, a good bit of it, anyway?

Dr. HATHAWAY. It depends on how farmers view the market. I would guess that the farmers' view of the market is likely to look toward \$6—that if the loans were called at \$4, many farmers would find it desirable to hold for higher prices on their own account, without benefit of the Government paying the storage.

Senator BELLMON. They do this by borrowing from banks?

Dr. HATHAWAY. I would assume that if prices are moving in that direction, that many wheat farmers would find it relatively easy to get financing, to hold for higher prices.

Senator BELLMON. Well, I happen to agree with you on that point. I think the farmer would not find it necessarily impossible to hold. I think a lot of them would sell at least part of it, though, when they were required to pay off their loans.

Frankly, it troubles me, and I think it troubles most producers, to see the Commodity Credit Corporation become the owner of another large quantity of wheat. Which could be used—I think the same would be true for corn or soybeans, or any other commodity which could be used to depress the market, any time the Secretary of Agriculture chose to do so.

This is not anything really different than happened back in the sixties, when Secretary Freeman was able to simply call a news conference and say he was going to sell some wheat, and the price would go down that day, whether he sold any wheat or not.

I think if you had 6 million tons of wheat, and the CCC called a news conference, and said “we are going to ship a quantity to a country”—and you would find that the market would react downward.

You say this wheat would be isolated from the market, or insulated from the market? How does the bill provide for the insulation?

Dr. HATHAWAY. Because of what we believe to be clearly intended, that the provisions we have discussed earlier, regarding relief, would only be used under very specified conditions. And thus it would come back on the market only when the normal procedures for Public Law 480 to meet our food needs, proved to be inadequate to this.

Senator BELLMON. Where are those provisions?

Dr. HATHAWAY. Basically, they are the provisions relating to the release, and essentially those that imply the explicit purpose of reserves. And that is for emergency humanitarian and developmental—

Senator BELLMON. Would you cite the paragraph?

Dr. HATHAWAY. Section 2 has the very policy which is, in fact, I believe, almost exactly the same as those in the bill that you and Senator Humphrey have.

Senator BELLMON. There is probably—there is a difference in intent. We were talking here about including processing and blended foods, insofar as practical. I think that makes a big difference.

But, again, back to the specifics. Where do you find that language?

Dr. HATHAWAY. I think the general section 2, on the intent—

Senator BELLMON. And policy objectives.

Let us read:

The Congress hereby declares it to be the policy of the United States to develop a wheat reserve to provide for emergency humanitarian and developmental food needs abroad and to fulfill any reserve stock obligations of the United States under the Wheat Trade Convention.

Dr. HATHAWAY. All right.

And then section 5.

Senator BELLMON. That is the section I was talking about earlier.

Dr. HATHAWAY. And section 5 includes a major disaster. Subsection (i) does not include the normal kinds of activities which are involved in food aid. It really is very similar to the section in Senate 2278, which you cosponsored.

Such food shall be used for the purpose of providing humanitarian relief.

Senator BELLMON. Where are you reading now?

Dr. HATHAWAY. Subsection (d) (1):

Such food may be used for the purpose of providing humanitarian relief in any foreign country which suffers a major disaster, as determined by the President.

Senator BELLMON. That is fine with me. What if the President has to make the determination—the President, not the Secretary of Agriculture, that this is a major disaster? That to me is a pretty good restraint.

Dr. HATHAWAY. In fact, we picked up, verbatim, Senator, the wording of your provision.

Senator BELLMON. That section. But what about this line 21 on page 2, from that thereon, do you find that in our bill?

Dr. HATHAWAY. No, sir.

Senator BELLMON. To me that is a major loophole. There is no mention of major disasters, as determined by the President there.

You say, "to assist any developing country to meet its food requirements in any year in which the market price of wheat is high."

Dr. HATHAWAY. And in which your domestic supply is so limited as to have to dip into this reserve in order to meet the needs of these countries.

Senator BELLMON. What is a limited domestic supply of wheat, so as to warrant release from the reserve?

Dr. HATHAWAY. I would assume that that would in fact be roughly a supply that brought us below section 401 authorization that we were earlier discussing.

Senator BELLMON. Can you be specific? How many bushels?

Dr. HATHAWAY. I cannot be specific at this point. In part, that would be affected, Senator, by the major market demands that may arise in any given year.

We might have, as we have had in past years, a sudden indication that there is—because of a variety of circumstances—a significant commercial market in the Soviet Union, or the Peoples' Republic of China, or in other major commercial market areas. Those can fluctuate so much that I think one cannot specify in advance. I cannot predict.

These kinds of things have been run into—say, 10 to 20 million tons may suddenly appear on the world commercial wheat market. So that is why I say that I cannot give you numbers of the type you have requested, because we need to take into account those commercial markets.

Senator BELLMON. What this section 5(a) says to me is that you are asking Congress to give the Secretary the right to acquire, through Commodity Credit, 6 million tons of wheat, to be used any time the Secretary feels like the price of wheat is high.

Dr. HATHAWAY. To meet the specific needs of developing countries.

Senator BELLMON. It says, "to assist"—

Dr. HATHAWAY. Food aid needs.

Senator BELLMON [continuing]. "Any developing country in meeting its food requirements."

To me that is absolutely carte blanche authority to do anything you want to, any time you want to, for any developing country.

There is no mention here of any major disaster, no mention of a food shortage in the country. You are talking about when the price of wheat in this country becomes, in your judgment, high, then you are free to use this wheat any place, in any developing country you want.

Well, let us—do you not think the committee is going to work on that language some?

I do not want to take any more of your time on that point.

Let me ask another question. You do not have any release price. Do we have a release price in the farmer-owned reserve?

Dr. HATHAWAY. Yes, sir.

Senator BELLMON. Would you accept a release price in the international reserve?

Dr. HATHAWAY. If the Congress found it necessary, because they believe that the President of the United States would not respect the general intention of the Congress to use the normal procedures, yes, we would, of course.

Senator BELLMON. Do you have in mind what kind of price you would think would be acceptable? You use this statement here "when the market price of wheat is high."

Dr. HATHAWAY. We would certainly have no difficulty I believe, in accepting a price that is already involved in the legislation. And that is, we cannot sell, from the Commodity Credit Corporation, at less than 150 percent of the support price.

In other words, it is above the trigger price for wheat.

Senator BELLMON. So the trigger price is now roughly \$3 or \$4 or \$5. The price, you would think, would be \$4.50?

Dr. HATHAWAY. The current legislation prohibits the Commodity Credit Corporation from releasing the wheat as long as the farmer-owned reserve exists, at less than 150 percent of the support price.

Senator BELLMON. Of the target price?

Dr. HATHAWAY. Loan price.

Senator BELLMON. Loan price. That is quite a lot of difference. The loan price is two and a quarter.

Dr. HATHAWAY. The loan price is certainly two and a quarter—under certain conditions, the loan price would be \$2.25, as the law is now written. So—

Senator BELLMON. So you would be able to sell at three and a quarter?

What would you think if we stipulated parity price?

Dr. HATHAWAY. I think that this would probably create problems.

Senator BELLMON. Your reference as to the time when the market price is high, well, parity would not seem to be necessarily a high price. It is supposed to be a fair price.

Dr. HATHAWAY. Well, this is a definitional matter.

Senator BELLMON. Well, what is a definition of parity?

Dr. HATHAWAY. I know the legal definition of parity. The legal definition is that price which has the same relative ratio to the cost of production as existed in the base period.

Senator BELLMON. And that was intended to be a fair price.

Dr. HATHAWAY. And it was then defined as a fair price. And that price, of course, has no adjustment for productivity.

Senator BELLMON. I want you to understand that by virtue of having introduced the bill, I have obviously a fear of ever doing something like this. But the last thing I want to see us do is to give the Secretary the power to dump wheat, or to threaten to dump it, in order to force down prices. And to me, you are asking for that same authority here, although you are asking, through the excuse of helping a developing country.

And, frankly, unless we can clean up that language, and get some realistic restraints, I think there is no way I could support it, and I doubt that there is any way the other members of the committee would support it either.

So I would suggest to you that three and a quarter is the best price that you can expect, to let us know, because we at least want to discuss putting in some kind of trigger price.

Dr. HATHAWAY. I was suggesting that there already is legislation.

Senator BELLMON. What is your suggestion?

Dr. HATHAWAY. I do not have a suggestion at this point, Senator.

Senator BELLMON. Will you give us a suggestion?

Dr. HATHAWAY. I will attempt to.

Senator BELLMON. All right.

Now, our bill makes reference to processed food. Let me give you the rationale for that, and see if we can come to some agreement.

To me—let us take the time when—how do you pronounce it? Sahel, Africa—was caught in a drought. And we were, I think, properly supplying them food. And I was not there, so my information is secondhand. But apparently we were giving them whole grain, to the people there, and it would seem to me like, in a condition like that, perhaps a more balanced food product, something like a white soy blend, or other products like that, might have done a better job of meeting the nutritional requirements of those people.

Now, our bill provides that we can include processed or blended foods in this international emergency food reserve. Do you see any harm in that?

Dr. HATHAWAY. I see no harm in allowing it, in terms of authorizing it. I would have some concern about requiring it. There are other individuals here who are better qualified than I to discuss specifically the Sahel situation.

But under the extremes of stress that occurred in Bangladesh, in the period of 1972 to 1975, and in the Sahel, I believe—I think that the wheat is much better than no food, and does provide a diet that in fact—has at least the balance that some traditional diets have.

In the case of an individual who traditionally lives primarily on rice, the protein content of wheat is generally well above the protein content of rice, and it is certainly equal to much of the foods in some of the sub-Saharan Africa countries, which have extremely low protein content in some cases.

We were primarily concerned about the potential costs in some cases and the ability to move the processed foods in quantities. We are talking about, in this case, emergencies which might require very substantial scale movements of commodities.

Now, in the particular case of landlocked countries, that creates an addition problem there, which would have to be taken into consideration.

I think there are others who might be in a better position to answer the question.

Senator BELLMON. I would be glad to hear from them.

Dr. HATHAWAY. Some of the subsequent witnesses.

Senator BELLMON. I see. Later this morning.

Dr. HATHAWAY. They have detailed knowledge about those situations.

Senator BELLMON. I agree with you that wheat is as good a grain as we could supply. But it would seem to Senator Humphrey and myself we should at least make provision for the Department to process and blend some of the grain, and have at least a quantity of it available for circumstances where it might be suitable.

Sometimes those food supplements are very often packaged in ways that they will resist spoilage or contamination, or even adulteration, which has occurred.

I remember being in Zaire, when they were asking about how so much gravel got into the food. Somewhere along the way, somebody was adulterating our grain. And it seems like we should take steps to avoid this.

Dr. Hathaway, I do not have any additional questions at this time.

I would say again to you that I feel we need to move in this direction, but I certainly have great reservations about turning over large quantities of grain to the Secretary of Agriculture, unless we write in some restrictions—not necessarily against Mr. Bergland. I think he is a very honorable Secretary. But I remember Secretary Butz, who was dumping a lot of grain because at the time they had no place to store it. It was the largest crop they had ever had, and it was apparently done to satisfy a political requirement over there.

And I do not think we want those kinds of things happening any more.

Dr. HATHAWAY. I would concur that this in fact is designed to be exactly in the other direction.

Could I, since your own bill basically does not have a price trigger—

Senator BELLMON. Well, our trigger device is that the President must determine that there has been a major disaster.

Dr. HATHAWAY. Or severe shortfall in food production, section 2.

Senator BELLMON. Yes.

Dr. HATHAWAY. Would that sort of triggering device be—

Senator BELLMON. If I were rewriting the bill, I would make it even tougher than that. But I think we need something at least along that line.

Dr. HATHAWAY. Yes, sir.

Senator BELLMON. We can work together.

Dr. HATHAWAY. We would be glad to work with you.

Senator BELLMON. Thank you, sir.

All right, fine.

Dr. HATHAWAY. Thank you.

Senator BELLMON. Our next witness is Mr. Michael L. Hall, president, Great Plains Wheat; and also Don Woodward, international trade representative.

Will you gentlemen introduce yourselves, and if you have a statement, you can submit it for the record, or summarize it, if you do not want to read it. That is fine.

STATEMENT OF DON WOODWARD, INTERNATIONAL TRADE AFFAIRS REPRESENTATIVE, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. WOODWARD. Mr. Chairman and members of the subcommittee, I am Don Woodward, wheat producer from Pendleton, Oreg., and the National Association of Wheat Growers' international trade affairs representative.

The National Association of Wheat Growers is pleased to have this opportunity to present its views on legislation which would establish a U.S. system of international emergency grain reserves.

I have just recently returned from the Geneva Conference which sought to negotiate a new International Wheat Agreement incorporating reserve stock provisions. In spite of the fact that nations participating in the Conference were unable to successfully negotiate a new wheat agreement, I was pleased at the general willingness to work toward sharing international food security responsibility.

The measures currently before this subcommittee, S. 2278, S. 2641, and S. 2869, all contain similar mechanisms for accumulating and releasing U.S. grain stocks to meet overseas emergency needs, and they would do so unilaterally, and prior to commitments by other nations to take similar steps in the interest of national and world food security.

The NAWG strongly believes that all nations have a food security responsibility, and the United States should encourage the development of a truly international system, and avoid premature steps

which would signal that we are once again willing to carry the world's inventory at direct cost to our producers and our Government.

Efforts now to establish a separate United States "international" reserve are unwise, and we believe that enactment of legislation such as that being considered here today would significantly weaken efforts to gain the participation of wheat importing and exporting nations in an equitable world system.

Accordingly, the NAWG is opposed to the reserve measures before this subcommittee, and it favors instead the development of an international program for shared food security responsibility established by negotiated national reserve commitments under an agreed upon international plan. Such a system should strictly avoid the creation of price-depressing buffer stocks, and ensure that the burden of adjustment to supply fluctuations is shared among both importing and exporting nations.

The United States is presently operating a very successful producer-held grain reserve program which, by law, calls for the accumulation of between 300 and 700 million bushels of wheat. The program, which operates through an extended loan mechanism, was sought and supported by the NAWG. Program improvements, also sought by the NAWG, have generated a strong level of participation, and current enrollments total more than 300 million bushels of 1976 and 1977 crop of wheat. This grain is in producer hands, and it is directly available to the market at the option of the producer once the established trigger level is reached.

Now, the National Association of Wheat Growers believes that establishment of an "international" wheat stockpile in addition to the producer reserve now constituted, would amount simply to reserves on top of reserves. Such an effort is contrary to wheat producers' interests, and it would impair the goal of gaining the participation of wheat exporting and importing nations in sharing the responsibility of food security.

Finally, let me say, the current and foreseeable U.S. supply situation further substantiates the absence of any need for immediate U.S. actions. We expect to carryover approximately 1.2 billion bushels of wheat into the 1978-79 marketing year, which begins June 1. If the modest 1978 wheat set-aside is successful, and current domestic and export levels are maintained, we can still expect ending stocks next year at this time to approximately this year's level. Thus, we see no need, and do not support the establishment of a special Government wheat inventory for reserve purposes.

We appreciate this opportunity to present our views, and I will be pleased to respond to any questions at the appropriate time.

Thank you.

Senator BELLMON. Thank you, Mr. Woodward.

Mr. Hall, do you have a statement?

Mr. HALL. Yes, I do. I would just like to summarize the statement, and submit it for the record.

Senator BELLMON. Without objection, the entire statement will be included in the record.*

*See p. 61 for the prepared statement of Mr. Hall.

STATEMENT OF MICHAEL L. HALL, PRESIDENT, GREAT PLAINS
WHEAT, INC.

Mr. HALL. I would just like to summarize my statement, Mr. Chairman. Mr. Woodward has already made some of the observations I would have made. I would just like to make some general observations about each of these three pieces of legislation.

With respect to meeting its international obligations and commitments of providing emergency food aid relief, the United States has long set the standard and provided leadership in this effort. And our organization supports that goal. But it does question the establishment of another wheat reserve to meet international emergency food relief purposes.

We are also concerned about how such a reserve would be structured and operated on the basis of simply holding a predetermined quantity of a physical commodity within the United States for ultimate movement through the domestic transportation system and exporting facilities to meet a genuine famine or relief emergency situation overseas.

Whenever such an international emergency arises, the United States could simply purchase wheat at the appropriate position for immediate shipment of such commitments to countries.

We would suggest, too, that a commitment by the United States to meet the purposes of these three pieces of legislation does not simply require the physical holding of the commodity. Such commitment can be made and discharged just as well by establishing a necessary budgetary authority for the purchase of wheat at prevailing market prices in the United States for immediate shipment. And a commitment to a funding or monetary reserves to meet overseas famine and food relief situations overseas would not require the Government to be the actual owner of that wheat, with all the attended concerns about grade and quality maintenance; that is, the storage position of that grain in the United States; percentage composition of five major classes of U.S. wheat grown that would be purchased; and the subsequent release of wheat held in a reserve back into the market.

I would like to turn now to the provisions of the legislation, particularly to Humphrey's bill, and the administration's.

Within the context of attempting to negotiate an International Wheat Agreement that contains provisions for a nationally held, and internationally coordinated wheat reserve scheme, our organization supports that concept of holding the physical commodity in a reserve to meet such obligations. But this support is only made in principle, and would be contingent upon several factors: (1) The total quantity of wheat to be placed in such international food reserves; (2) the mechanism for acquiring and releasing the commodity; (3) the price levels at which the acquisition of release of commodity would take place—which we would feel should be done better on a basis of indicator world wheat prices that best reflect the overall world wheat supply-demand situation; (4) the location of the physical reserves; and (5) the level of economic benefits accruing from the storage of such a physical reserve to U.S. wheat farmers.

Although we are not privileged to have ongoing bilateral and multilateral discussions about the prospects on such a wheat agreement, most public accounts of the ongoing effort to negotiate a successor agreement to the International Wheat Agreement of 1971 suggest little likelihood that the type of successor agreement will be negotiated to accommodate the concept advanced by the United States at the recently concluded or recessed UNCTAD Conference in Geneva. Nevertheless, I noted Dr. Hathaway's optimistic outlook earlier this morning.

As you know, the United States showed leadership in that Conference by responding to the Rome Food Conference of 1974, and committing itself to work toward greater food security. In this context, the United States advanced a three-dimensional approach at both the International Wheat Council and the UNCTAD Conference to achieve greater food security and a degree of moderation of world wheat prices. That approach included not only a nationally held, internationally coordinated wheat reserve system, but it also included two other coequal components: International coordination of world wheat production at either low or high indicator prices, and international coordination of world wheat consumption at either high or low indicator prices.

It may well prove it possible to negotiate an agreement along those lines advanced by the United States, as suggested by Dr. Hathaway. The creation of such an international wheat reserve, with respect to a Wheat Trade Convention, unilaterally by the United States, is the point that Mr. Woodward touched on. In advance of further efforts to negotiate a wheat agreement, such a unilateral move by the United States would only substantially weaken the incentive for other countries, both developing and developed, importer and exporter countries, to participate positively in this negotiation process.

I would like to recall that the United States has already moved to curtail production as a measure to improve prices for wheat in the coming season. There has been sustained gains in wheat prices over the past several months, more because of fundamental wheat market factors than projected reduction in acreage by U.S. wheat and feed grain farmers.

Consequently, I believe there to be little if any incentive for the other major wheat producing and exporting countries to embrace any measure of international cooperation or coordination in the context of an International Wheat Agreement. As a matter of fact, seeding intentions for all grains by Canadian producers are projected to be of 2 percent over the last year. And preliminary reports from Australia and Argentina also indicate that given favorable weather and increased moisture conditions, they will maximize production.

Mr. Woodward touched on the physical holdings of such a reserve. In the present farmer held reserves, there are about 310 million bushels. I do not want to touch the projected wheat carryover this season; we know what that is. But I would just comment that the purposes for which the bill has been proposed to the subcommittee, S. 2641 and S. 2278, has been well achieved in the past, and can be

obtained in the future by appropriate Government acquisition of wheat. Moreover, the United States has offered to increase its commitment under a new Food Aid Convention of a wheat agreement from 1.89 million metric tons to 4.2 million.

On the other hand, the major purpose for which the administration's bill, Talmadge bill, 2869, is almost completely dependent on the successful conclusion of a Wheat Trade Convention in another International Wheat Agreement. And I think any successful conclusion should require an equal distribution of the burden of carrying wheat reserves among the major wheat exporters and importing countries, along with the production and consumption adjustment measures.

I would just like to conclude that there is a difference between and some confusion about wheat to meet international famine and food relief purposes, on the one hand, and a U.S. wheat reserve to meet stocking obligations under an International Wheat Agreement proposed by the United States.

It may be appropriate, as Mr. Woodward suggests, to simply consider the establishment of projected emergency reserves for overseas relief purposes. However, I do believe, as Mr. Woodward stated, that it is premature at this time to establish an additional reserve quantity for U.S. wheat. If there is a successful conclusion to the current negotiations, and until we know what the percentage quantity of the U.S. wheat world reserve, and what would be the obligation of the United States to carry, I believe that any legislative authority necessary for U.S. participation in a new Wheat Trade Convention with respect to reserves could be clarified and established during the Senate ratification process of any subsequent agreement.

Thank you.

Senator BELLMON. Thank you, Mr. Hall.

I have a few questions I would like to ask you gentlemen.

First of all, you are wheat farmers. I am a wheat farmer. What happened before when the Secretary of Agriculture had control of a large quantity of wheat?

Mr. WOODWARD. Very definitely.

Senator BELLMON. Would you say for the record what your recollection is?

Mr. WOODWARD. This large quantity of wheat was put on the market, and it put the prices really low in a hurry, and there was, in my opinion, no attempt to do it slowly or easily. It was just done. And it was very upsetting to the market.

Senator BELLMON. When this Secretary had that control of that large quantity of wheat, he, in fact, was available to control the market, was he not?

Mr. WOODWARD. Yes, he was.

Senator BELLMON. He could sell a little wheat or say he was going to sell a little wheat, and the market would—

Mr. WOODWARD. Would react accordingly.

Senator BELLMON. Go down?

Mr. WOODWARD. A good deal of our marketplace is emotional, and that is why these things work that way. If there was going to be that stack of wheat on the market, then the market price reacts emotionally under our—even proceeding—when it is in the market.

Senator BELLMON. Well, is your concern that something like the administration's requested 6 million tons, international emergency wheat reserve is set up, that that might also be used to influence the market?

Mr. WOODWARD. It certainly could be. You never know, when things are not tied down. You do not ever know how something is going to be used. Even with all of the billions, there is a need for rotation of stocks, depending on maybe position or going out of shape. I realize that this has to be. This also gives an opening at any time to, say, reposition. You need to have stocks at Portland instead of Houston. And so you are able to sell stocks and—and in this way you can affect the market. I do not know how you can get around having that authority, but it is something that is—could be harmful to our situation.

Mr. HALL. With respect to section 2 of the Talmadge bill, at least, to my mind there is confusion about the purpose policy of the developing wheat reserves: Either to provide for the emergency humanitarian developmental food needs, or to fulfill any reserve stock obligations of the United States and the Wheat Trade Convention.

It creates confusion, in my mind. Six million reserve, and for what purposes would it be put to use? And then, as we go on down, there is a provision under section 3:

In the event the United States undertakes any reserve stock obligations under the Wheat Trade Convention, the maximum may be increased to such level as the President deems necessary to carry out section 5(a) of this act.

I think this concerns our organization which I have already indicated, and it is the same concern that you share; the lack of specificity for these determinations.

Senator BELLMON. As you read that language in section 3, that is sort of open-ended authority for the President to increase 6 million tons to whatever level he feels is in order.

Mr. HALL. The way I read that, and I hope I read it carefully, that a 6-million-ton reserve will be established to be used either for emergency food aid purposes or for meeting the commitments under the stocking program, in addition, that would be a base, depending on the result of the negotiations, that the administration could add another 10, another 15 million tons on top of the 6 to meet the negotiated requirements of the wheat agreement.

Again I conclude my statement that some of these measures of specificity can best be treated in the ratification process of the successor agreement.

Senator BELLMON. Gentlemen, you are much closer than the Members of Congress to the negotiations that have been going on. You both appear to take exception with Dr. Hathaway's statement that he needs the authority in advance of the International Wheat Reserve Agreement.

Why do you feel that way?

Mr. HALL. I would cite the authority of the 1974 Trade Act, To enter into comprehensive trade negotiations, first, on the multilateral negotiations, and also at the ongoing efforts of the International Wheat Council.

Senator BELLMON. But I can see that our U.S. negotiators are in a bit of an awkward position over there, negotiating, and yet think-

ing they do something that is going to be ultimately—need to be ratified or approved by the Congress. But I do not see how we get away from that. We cannot very well give them a blank check to go over there and make any deal they want to and expect Congress to rubberstamp it.

It seems our negotiators are going to have to do the best they can and come back to us with an agreement, give us a chance to act on it. I do not think we can act in advance and give them the right to do whatever they—

Mr. WOODWARD. Well, I think our negotiators know what they are going to have to do that would be acceptable, and I think you are right. I think we have to approach this situation with that in mind, because it is undoubtedly true that if they come back with something that is not acceptable to Congress, it is just a wasted effort.

Senator BELLMON. Do you agree with me though—and this is one thing that led me into this international grain reserve business—that there is probably some justification setting up a system which will relieve the United States of literally carrying the world's food supply at our own expense? You are wheat growers. We are really the ones who, at the present time, are paying most of the costs of carrying along their 1.2 billion bushels of what we call "surplus," which is really a reserve to be used in the case that the Russians or Chinese or some other country has a bad year.

It would seem it ought to be equitable. It ought to be somewhere, some other countries who would help pay the costs for carrying these reserves.

Mr. HALL. That is our interpretation of the proposals advanced by the United States in Geneva. We have seen the Australians sell; the Argentineans combined with the Canadians have maximized their exports.

Senator BELLMON. We are carrying the world reserve.

Mr. WOODWARD. And we are reducing production. If we would have an International Wheat Agreement of this type we are talking about, there would be obligations for all countries at certain specified points.

Senator BELLMON. Something to be gained by working out an international agreement. We have got to be careful that it does not take the form that is going to give one—the Secretary of Agriculture and the President—the authority to dump the grain any time he feels like the price of wheat is getting high.

I think the high price of wheat around this town is so low that it would bankrupt the producers. I do not believe we can sit and let that happen.

I would appreciate it if Great Plains Wheat would take the administration's bill, 2869, and go through it. You have pointed out deficiencies you find in section 3. Perhaps you can give us your recommended amendments to this bill.

We may not have the bill at all. I have no idea. If we are going to have a bill, I would like to see it be the best bill we can get.

Let me ask another question or two.

Do you agree with me, in talking about world food scarcity, that the best security is to avoid an economic situation that interrupts

or works great economic hardship on producers? There is no way we are going to be able to set aside enough wheat or any other food to last us very long, keeping economically strong agriculture, or all this talk about food, world food security comes to nothing.

Mr. WOODWARD. Food has to be produced. If you stifle the farmer, of course, to the extent that he cannot produce, then you really have a bad situation.

Senator BELLMON. Well, 6 million tons of grain may sound like quite a lot to some people, but it is really a trifle in the world's food supply picture.

Mr. HALL. I would only comment that, even if we get an International Wheat Agreement and it only contains the elements of reserves with no commitments for these two other important measures such as production and consumption adjustment, it probably would not serve to moderate prices if the world were to have consecutive shortfalls in wheat. In the absence of grain production or consumption adjustment measures, the international reserve would soon be depleted, on the basis of a firmer world wheat price.

And the converse is true. Three consecutive good world wheat harvest, and you will have more than just your 6 million tons. In the absence of coordinate production restraints of exporting countries and increased consumption policy of the importing country, a single measure of reserves would not serve really as an effective device.

Senator BELLMON. Has Great Plains Wheat considered the possibility that we might simply increase the size of the producer owned reserve, and perhaps set some parameters that would make it possible for release of that wheat under conditions that might serve the same purposes as the international food reserves?

Mr. HALL. I think that would be GPW's preference. And the ultimate economic benefits for the storage of the reserve, among the other concerns I mentioned.

Mr. WOODWARD. Yes; I think that actually the thing that bothers wheat producers is that reserves historically have been very bad. They have become buffer stocks, and even at the start they were intended to be that way. There will be some kind of loophole or something that makes it possible for it to be that way.

So in having our extended reserves built up and then having emergency reserve legislation like this, and then this might include another reserve to take care of the International Wheat Agreement. And you get reserves and reserves and reserves when, historically speaking, the wheat growers are very much against these reserves. So we do have the extended reserve program, and I would think that there could be some system built into it, or some way to just not have another reserve, because it looks good to have a—but to take it out of our present reserves, which the National Association of Wheat Growers have been satisfied with, because they are farmer owned. But there may be some way to do this.

Senator BELLMON. As you heard Dr. Hathaway comment this morning, what they seem to be concerned about is that even though the price is about four and a quarter, the Secretary has authorized to begin calling the loans. He is concerned, even at that point, that the wheat will not come on the market.

Mr. WOODWARD. Well, some will and some will not. We are talking about 6 million metric tons over a period of time. I am sure it would come in the market. You know, it seems like maybe you do not want to pay the price, but that is what you should do.

Senator BELLMON. Well, it seems to me that you could write a provision. Let us say the farmer put 3,000 bushels of wheat in the reserve, and the farmer-owned reserve program. The Secretary might have the right, under certain price conditions, to require him to sell a third of that, which would, in effect, be part of the international reserve.

What I am asking for really is help from Great Plains Wheat to think over their possibilities, because if we are going to have a bill, let us have the best one we can get rather than sitting back and resisting it, and perhaps getting run over.

And perhaps Senator Lugar—Senator Lugar also has a bill.

Mr. WOODWARD. Thank you.

Senator BELLMON. Gentlemen, thank you very much.

Our next witnesses will be Mr. Tom Hammer, Assistant Director of the Washington Office, American Farm Bureau Federation, and Reuben Johnson, National Farmers Union.

Mr. Johnson, would you care to lead off?

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. JOHNSON. Yes, sir.

Chairman Bellmon and Senator Lugar, I am Reuben L. Johnson, director of legislative services for the National Farmers Union.

We appreciate your invitation to participate in this hearing on legislation to create an international food reserve. National Farmers Union supports the creation of such a reserve and believes it is in the interest of the worldwide human community and of farmers. I am going to have to make some qualifying comments, as I get into this testimony. But, as a general approach, this is the position we have taken.

An international food reserve is a humane and necessary plan to prevent starvation and suffering if an abnormally bad crop year should be experienced in the major crop-growing areas or if there should be 2 poor years in a row.

An international food reserve is necessary and important, but it is equally important that the farmers of this country and other countries remain strong and able to produce the food on which the world depends. If the ability of farmers to continue to produce abundantly is crippled, a food reserve is unlikely to prevent disaster.

The Farmers Union insists that the best, most productive farmers are family farmers and that the policy of this country should be based on the preservation of the family farms, not only because it is good social and political policy, but because it makes economic sense to preserve and enhance the most productive food growing system the world has ever known.

We believe the American system of family farming is in danger today because farmers are not receiving prices that pay them the

cost of producing what they grow. If that situation persists, our family farmers are going to be seriously hurt and our ability to produce the great quantities of food the world needs now and in the future will be damaged.

I might add that is a good reason why we are looking at a reserve program. We cannot look at it aside from other farm program policies which are in effect.

This Government's policies should recognize that there is no worldwide surplus of food, only that there are people who cannot afford to buy the food they need and that disastrous shortages of food can occur.

Senator BELLMON. You used the word "surplus." Did you intend that to be "surplus" or "shortage"?

Mr. JOHNSON. I think the term is used correctly. There is no worldwide surplus of food. For example, if we had people in the world with income, I suspect we could move our carryover stocks of food rather rapidly.

Although current world food stocks are large enough to depress farm prices, our carryover of grain is smaller today than in the food crisis year of 1972. Either a crop disaster somewhere in the world or unexpected food demand could quickly change today's apparent surpluses into real and distressing shortages.

The Farmers Union believes that the world community should cooperate in the creation of a food reserve to guard against the disaster that may be just around the corner, perhaps next year. But the United States should also cooperate with both other exporters and the importing nations to protect the food production system through fair and reasonably stable prices. Those prices should reflect the true costs of production and transportation and the costs of maintaining an international food reserve.

I might say, Mr. Chairman, that in the further negotiations through the International Wheat Convention, that we could arrive at some kind of program there that would give true multilateral participation in a food reserve under the auspices of that Convention. And hopefully we could get the price problems in the process that have held up action so far on an International Wheat Agreement.

I might make the observation here that one of the problems in getting an agreement on prices in the negotiations thus far has been that our Government has carried prices to the negotiations that were considered to be much too low. Therefore, unacceptable to other participants.

Congress should establish an adequate reserve system for each basic storable commodity, not just wheat, and the international emergency reserve should be part of that reserve system.

The U.S. food reserve should be large enough to supply all of the domestic demands and requirements in case of bad weather and poor crops. It should be able to supply on an emergency basis foreign commercial demands of nations that have become dependent upon our production so that our overseas markets can be supplied during low crop periods. And it should also include an international emergency reserve for humanitarian needs in case of a disaster.

Mr. Chairman, obviously we are looking at a reserve of a size substantially larger than the 6 million metric tons that we have been talking about. It really does not make a great deal of difference to farmers how much reserve we have if they are not exposed to the depressing effects of the reserve on market prices. We could have a whole year of wheat in reserve, for example, if we had prices supported at 90 percent of parity, as we had proposed be done. We could then really get about the business of setting up a meaningful reserve. It would not only cover the needs, disasters, poor crops, and so forth, but would also be available to meet commercial needs to forego the embargoes that we have had placed upon us in the past.

Of course, if a reserve is to be large enough to provide reasonable protection, it will, at the same time, be large enough to unduly depress farm market prices, unless the reserve provisions are part of an overall strategy which will maintain farm prices at a reasonable level.

Without such protection, a food reserve is likely to be one-sided in its effects. It will hold down farm prices at continuously low levels, but it will do nothing to assure farmers' returns are fair in consideration of their production and living costs.

For this reason, the 76th Annual Convention of the National Farmers Union held in March in Salt Lake City, Utah, advocated that international reserve provisions should be part of an international grains agreement which would stabilize world prices within a range comparable to 90 to 110 percent of parity prices in the United States.

I might add the last time we testified on farm legislation in this committee, we outlined a plan for parity and abundance, which had a built-in reserve feature, also that would hopefully keep farm prices within that range and provide farmers with somewhere around parity, because of the averaging that would take place between 90 and 110.

As we look ahead, we can see that eventually the world's population will exceed its ability to produce food. Even now we are doing a poor job of feeding and nourishing the 4 billion inhabitants of our planet, but it is not because we are near the limits of our resources. We are not really constrained by lack of land, water, energy, labor, or other resources. No one in the world is going hungry because food supplies are not available. People are going without food because they cannot pay for it.

Yet the pressures of our growing human population will eventually become so great that the world will be unable to produce sufficient food. There is an ultimate limit to the population the world can sustain, although we can theoretically push that day well into the next century. While the world's poor are producing the population that can eventually overwhelm us, it is those who are moving from extreme poverty into the middle class who are creating the most demand for food. Food is the first and greatest need of those who obtain employment and are able to join the middle class. It is also the people of the middle class who begin to limit their procreation and to stabilize the size of their families.

These new members of the middle class in the poor and developing countries will create the growing demand for food from this

country, from their own farmers and from the other exporting nations. Thus, improved and growing economies in the underdeveloped countries creating more jobs for their workers will mean a slowdown in population growth, but a growing demand for food.

When the 3 billion or more people in the world who now buy little or no food at all—together with 2 or 3 billion more who are sure to join us—become able to buy enough to eat, the strain on the world food production system will be extreme. Food deficits may endanger world peace.

Cheap food prices now or then are not the answer to the world's food needs and this country's policy of keeping the cost of food as low as possible will not encourage or protect the food production system that we now possess.

Mr. Chairman, I might make an observation that in the colloquy with the administration witness, a statement was made about our holding virtually all the available supply of wheat in the world. We have been wondering for some time what our Government's policy is in terms of the International Wheat Agreement, when we have the wheat and therefore we have the capability of determining what a fair price for that wheat should be.

Food reserves, including an international emergency food reserve, are necessary to protect consumers here and in other countries from short-term food shortages, but only a strong and prosperous agricultural production system can meet the world's food needs in the years and decades ahead.

Senator BELLMON. Thank you, Mr. Johnson, for a very fine and thoughtful statement.

You may proceed, Mr. Hammer.

STATEMENT OF THOMAS A. HAMMER, ASSISTANT DIRECTOR OF NATIONAL AFFAIRS, AMERICAN FARM BUREAU FEDERATION

Mr. HAMMER. I am Thomas A. Hammer, assistant director of national affairs, American Farm Bureau Federation.

Senator BELLMON. Let me say it is good to have the American Farm Bureau and National Farmers Union seated at the same table.

Mr. HAMMER. We are not always in agreement on some of these matters, but it is a pleasure to be here.

We appreciate the opportunity to present the Farm Bureau's views with respect to international food reserve legislation.

For the record Farm Bureau is a general farm organization with a total membership of more than 2.9 million families in 49 States and Puerto Rico. It is supported by membership dues which are paid voluntarily by the member families each year. Farm Bureau members are engaged in the production of practically every agricultural commodity that is grown commercially in the United States.

GOVERNMENT-HELD FOOD RESERVES

At the most recent annual meeting of the American Farm Bureau Federation, the voting delegates of the member State Farm Bureaus adopted the following policies regarding Government-held food reserves:

We are opposed to deliberate public policies designed to set up food reserves. The normal carryover stocks held by farmers and the grain industry, the fact that major crops are produced over wide geographic areas and the flexibility of a livestock economy provide assurance to domestic consumers and foreign buyers of an adequate supply of food.

We will continue to oppose the creation of Government reserves. If short-term reserves are accumulated because of an excessive production, inadequate demand, or both, we believe such reserves should be held by farmers.

In order to provide opportunity for more orderly marketing and to avoid Government-controlled reserves, we favor programs to encourage and assist farmers to increase on-the-farm storage. Such programs include loans at favorable interest rates for the construction of new storage capacity, longer term CCC loans, and storage payments for grain that is kept in storage by the producer for more than 1 year.

Government-managed reserve stocks of farm commodities are both unnecessary and undesirable. Government-held reserves are not needed for the protection of our customers here or abroad. Users of U.S. agricultural commodities have a great deal of protection in the productivity, diversity, and flexibility of American agriculture. While we oppose Government-held reserve, we believe needed reserves can and should be maintained by farmers, handlers, and processors. Farmers and the trade have demonstrated their willingness to maintain larger reserves if the U.S. Government does not take over this function.

I should state that the Farm Bureau supports the provision of the Food and Agriculture Act of 1977 which requires the Secretary of Agriculture to administer a producer-held reserve program for wheat and feed grains. This is to be accomplished through an extended prices support loan program of 3 to 5 years duration. Producers will receive storage payments, and the Secretary may adjust or waive interest charges on farmer-held reserves.

We also support the section of the 1977 Farm Act which requires the Secretary to make storage facility loans available to producers of grains. Such loans are to be in amounts of not less than 75 percent of the total construction costs—including, but not limited to, the cost of structural and equipment foundations, electrical systems, grain handling systems, drying equipment, and site preparation.

As we have indicated, we want to avoid programs that would accumulate commodity stocks in the hands of the Government. Government-owned stocks are not necessary for the welfare of either our domestic or our foreign customers; they are costly in terms of their impact on farm prices and the Federal budget. We do not believe that Government stocks can be segregated from the market. We know that such stocks are inconsistent with the objectives of a market-oriented agriculture.

The existing authorizations for producer-held reserves and farm storage facility are consistent with our desire to facilitate more orderly marketing and, at the same time, avoid Government-controlled reserves.

With respect to foreign-held reserves, we believe importing countries are free to maintain their own reserves and should be encouraged to do so.

Farm Bureau policy on this issue is as follows: Foreign buyers of U.S. farm products should be encouraged to make long-term commitments for these commodities through arrangements with producers or the private trade. Foreign nations desiring to maintain food reserves in excess of their current needs should make their own arrangements for the maintenance of such reserves. If such reserves are stored within the United States, they should not be subject to embargo or other shipment restrictions or delays, or to resale domestically, except during a declared national emergency.

FOOD AID

It is sometimes argued that Government-held reserves are needed to facilitate food aid to less-developed countries. We believe that foreign aid programs are worthwhile as a contribution to peace and the welfare of the entire world. We also believe that emergency food relief needs should have the highest priority on foreign aid programs. We do not agree that such programs require the maintenance of Government-managed reserve stocks.

In order to meet emergency needs throughout the world, we favor the establishment of an international fund to be used for the purchase of agricultural commodities only in the amounts, and when, needed. All nations of the world should support such a fund and should share in its control in proportion to their contributions. The fund could be used to purchase needed agricultural commodities from any nation having available supplies in order to meet disaster needs and other emergencies. We shall continue to explore ways of implementing this concept.

We do not envision the creation of an additional international bureaucracy; rather, we would urge that such a fund be administered through existing international institutions. We are aware of the proliferation of the international organizations designed to provide food aid, and to further agricultural development. This proliferation has already placed heavy demands on available funds and the qualified personnel required to implement such programs. A better coordination of both bilateral and multilateral assistance programs is increasingly essential.

In our opinion the proposed international fund has merit for several reasons.

The limiting factor in food aid programs is money, rather than an actual shortage of food commodities in world markets. The logical way to deal with this problem is to accumulate a fund of money rather than a stockpile of commodities.

The proposed fund could have the effect of permitting more nations to share in the costs of providing food aid to nations requiring such assistance. For example, the oil-exporting nations could contribute significantly to such an international program. Participating nations might be permitted to make part of their contributions in the form of commitments rather than actual currency deposits. Even the

poorest of nations could contribute according to its particular situation and ability.

Purchases would be made in the world market when needed from any nation having available supplies. Supplies could be obtained from either private or government stocks depending on the internal policies of the nation supplying the commodities.

This concept must be studied thoroughly to insure that it is economically sound, will benefit the recipient nations, and will have minimal adverse effect on world agricultural production.

The long-term answer to the food aid problem is to promote better, more efficient agricultural production and distribution throughout the world as a foundation on which to build a better civilization. In the meantime, humanitarian considerations require that some food aid be extended to needy people in emergency situations. The proposed international fund is a logical and efficient way to provide for such aid on a multilateral basis.

Senator BELLMON. Thank you, Mr. Hammer. I appreciate the fine statement that you have brought, representing the Farm Bureau's position.

As I listened to both of you gentlemen, it seems there is not really a great difference between the Farm Bureau and the Farmers Union. I am not being facetious. This is the case, is it not?

Mr. JOHNSON. Mr. Chairman, I am not sure that is the case. I think I might answer that by saying—

Senator BELLMON. It was not hard to agree.

Mr. JOHNSON. The Farm Bureau and Farmers Union are very consistent in our respective positions. If you oppose the negotiation of some kind of International Wheat Agreement, as I view the Farm Bureau's position—is that not correct?

Mr. HAMMER. Yes; with economic provisions, that is correct.

Mr. JOHNSON. Then you have to relate that position back to the domestic sector. We believe in high price supports in the domestic sector, supported by negotiations, international negotiations.

Senator BELLMON. Now wait. Let us simplify it.

Does the Farmers Union oppose the negotiations of the international food reserve?

Mr. JOHNSON. No; we do not.

Senator BELLMON. So you are agreed on that point?

Mr. JOHNSON. But the Farm Bureau wants to only buy in the amounts and when it is needed. We try to perceive negotiations that would set up such a reserve in advance so it would be available when needed.

Senator BELLMON. Government-owned?

Mr. JOHNSON. Well, a reserve system, I think, should be set up under the International Wheat Agreement, and participated in by the countries who are a part of that agreement.

Mr. HAMMER. I would just like to clarify that.

Farm Bureau's position, with respect to the International Wheat Agreement, is presently that the agreement which expires this summer has two conventions. The wheat trade and the food aid convention. There are no economic provisions such as maximum, minimum pricing, or level, at which a country or international coordinated country would acquire reserves.

Basically the present agreement, the sort of agreement which we would support, is a consultative type of agreement which brings consuming and producing nations together to discuss their supply and demand and production.

The Soviet Union is a member of this agreement to the extent that they have become fuller and more active members. And there are better ways to share information regarding supply and demand needs.

I think this agreement is a very useful part of understanding the picture of wheat production and wheat supply in the world. And also have Food Aid Convention, which we have no problem with.

And I think there is room to perfect it. And the United States has met its requirements relatively easily, we may be able to work to encourage other people to increase their food aid under that.

But we have not supported that type of agreement which would have internationally controlled stocks or maximum, minimum prices, regarding the prices of wheat. That is where we are on the present negotiations.

Senator BELLMON. I think you made a good point in your statement, Mr. Hammer, when you pointed out that there is flexibility in the livestock economy.

In effect, this country has an enormous reserve of grain, which we normally use to feed livestock, which would easily become available for human consumption, if there is a need, and if the price relationship becomes such that it is more economical to sell it for human consumption than it is to feed it to animals.

Mr. HAMMER. The Soviet Union has demonstrated that, when they get into times of short supply.

Senator BELLMON. So when we talk about 6 million tons of grain reserves, if you take into account the amount of grain we have for feeding livestock, that is probably hundreds of tons or more.

I have a couple of other questions that I would like to ask you, and then I will yield to my colleagues.

In general, farm organizations have been somewhat divided over reserves although perhaps more in favor of international than domestic reserves. During periods of short supply, there is little interest generally among grain producers in a reserve although perhaps livestock groups support such a program. During periods of surplus stocks, however, there is much more interest among producers in a reserve mechanism to siphon off some of the extra stocks.

The Farm Bureau and the Farmers Union have generally held opposite positions on the subject of an international reserve. Would the proposed international reserve of the administration help even out the "boom and bust" in agriculture and help meet our international objectives without at the same time depressing farm prices?

Mr. JOHNSON. Mr. Chairman, I am depressed by the fact that this new target, under the Convention, 10 million tons of food aid each year—we would be supplying almost half of that. That would be our commitment. That is almost all of that 6 million tons we are talking about.

So I am just wondering if we are talking about much of a reserve at all. It appears to me that we are giving the administration au-

thority to make sure that it can go out and buy wheat required under the most favorable situation from their standpoint, that is, where the prices are the lowest.

Senator BELLMON. Do you view that as a bad development?

Mr. JOHNSON. Well, I do not know. If I understand the policy direction of this administration on farm price supports. It wants to stabilize them out at a level much lower than my organization supports. And I do not want to give them any more authority than they have already if that is the effect of this bill. If this means, for example that they are going to have authority to buy 6 million metric tons of wheat at the most favorable time, in order to hold down the cost of this commitment of ours to the world food convention—then I am not very enthusiastic about that.

I do not know whether my organization policy would come down very strongly in support of that.

Senator BELLMON. Do you have any comment, Mr. Hammer?

Mr. HAMMER. Well, I have a brief comment. Over the last 25 years or so, the United States has probably supplied somewhere around three-quarters of the food aid that has gone out into the world.

I would assume that even if this reserve is set up, most of the food aid which we have supplied has gone to the Food For Peace, or Public Law 480 program. I would assume that they would still go through the normal Commodity Credit Corporation operations, for supplying that food.

So whether or not that 6 million would actually turn over like that, through this operation, I am not sure what they intend.

My other comment would be with respect to favoring an international reserve, and not favoring a domestic reserve. First of all, one of the types of international reserves we are talking about at present is internationally coordinated, domestically held system of reserves. We have encouraged other nations to hold them whenever they see fit. We have suggested that the United States is better off with the farmer-owned reserve, which we have supported those sections under the 1977 Farm Act, and that amended under the 1977 Farm Act.

And our producers tell us that they just feel better about that reserve situation, knowing that they are in control of what may be released, and at least having a certain degree more flexibility, with respect to their release.

Senator BELLMON. Would you gentlemen agree, then, that there is less opposition to reserves now than there was a few years ago?

Mr. JOHNSON. Our plan for parity abundance as I mentioned earlier, provided the farmers would have been holders or controllers of the reserve. It would not necessarily be on the farm, but they would have control of it. And the Government would have decided how much, totally, farmers ought to be setting aside to constitute a reserve. Price support loans would be at 90 percent of parity, and when prices reached 100 percent of parity, in the market, then the Government would withhold any shortage payment to those farmers holding grain. This would give them an incentive to put it in the market, thereby giving us a flexibility between that 90 percent of parity and 110 percent of parity.

But in line with your question, Mr. Chairman, I do not believe my members would support reserves of very much proportion—unless

we had written into our program, protection under the law at 90 percent of parity.

I think farmers generally are fearful of a reserve, and unless you write some kind of rigid trigger point, as you have discussed with Doctor Hathaway, into this program, if you leave it vague, you can be sure that when the political pressures develop to bring that food out—in response to increasing prices—that it will be brought out.

Senator BELLMON. Would either the Farm Bureau or Farmers Union take this section 5(a), to the bottom of page 2, in the bill, and amend it? Give us your thoughts as to how that trigger mechanism might be—

Mr. JOHNSON. I can tell you right now how we would do it. We would like to see it simply tied to parity.

Senator BELLMON. Give us the language.

Mr. JOHNSON. I will give you some language.

Senator BELLMON. I will yield now to Senator Lugar, who came in first, under the policy of our chairman, who is not here.

Senator DOLE. If we are in control, we ought to vote something out. This may never happen again.

Senator LUGAR. Let me ask both of you gentlemen to comment, if you will.

The provision of the bill that I have introduced—S. 2641—in this respect, which at least in common sense terms, tries to set aside 7½ million tons that would not be released into the U.S. market, and the provisions of my bill are strictly that to meet commitments that we already have for disasters, famine relief, and other Public Law 480 functions that are specified. The 7½ million tons, then, could be utilized so that our Public Law 480 commitments are safeguarded.

As I noted earlier, the USDA interpretation of the release mechanism is totally erroneous, and we will try to straighten out the USDA on this point. Very clearly, it is simply a question of meeting famine commitments, and taking advantage of this particular time in our agricultural history to form a reserve of 7½ million tons of grain.

And I share the thoughts that both of you have about the difficulties of these reserves, and this is the reason I tried to draft it in that way.

Do either one of you have any comment about that particular type of an arrangement? Mr. Hammer, do you have a comment?

Mr. HAMMER. I would make the following comment. It would appear to me that we might—another approach, without giving it a lot of thought, is that the maintenance of this size of reserve, obviously has some cost to it. It may be as we stated in our statement.

We feel that in the marketplace we have never experienced a shortage of food. We have experienced changes in prices. It may be, in order to meet those requirements, what we need is some sort of contingency that should allow for CCC authorization in times of emergency, prices are high, here, to go in and meet it.

And you might—I cannot do it, but it might be demonstrated that is less cost to the Government, or taxpayer, in the long run, and could still be used to provide commitments abroad which, of course, we are very concerned about, too.

Senator LUGAR. You might be right, although a case could be made that when grain prices are low—maybe this is one of them—it might be a good time to form a food reserve.

Mr. HAMMER. You would still have the maintenance of the stock.

Senator LUGAR. If you had a famine, at a high price situation, you have to maintain it. I suppose that I am simply troubled by the point that both of you have made, that the problem is money. I think that is right, in the sense that there are potential consumers of food throughout the world, and not sufficient money which people might buy the food with.

And I am not certain that we are attempting to narrow that gap significantly. At least in the legislation we are considering, it seems to me that these are fairly modest proposals.

I would agree that with the Farm Bureau's position, in this respect, that the ideal would be to make certain that there was an international fund of money that was available, that could purchase food in the market. And I would like to see that come about.

But it seems to me that there might be a case—and that is why I have sponsored a bill in this respect—for a small contingency, simply to back up famine relief and other Public Law 480 commitments, so far as we could, from domestic markets, and meet the political considerations that both of you have mentioned.

Do you have any comment about this?

Mr. JOHNSON. I would just like to make an observation. I believe, Senator, you mentioned that we have a pretty ample supply of wheat right now. A substantial amount is under the control of the farmers, under this new resale program, of the administration and which this committee very wisely increased up to 700 million bushels, as an objective.

So we are not talking about running out, being short of wheat right now. We would not like to see the range of 6 to 7½ million tons put in some kind of contingency posture, without having some major adjustments made on the support price and other program and policy operation.

When you are looking at 140 percent of the loan, as the release point for former held reserves, that is, I believe you said, \$3.15?

Senator DOLE. Yes.

Senator BELLMON. That is a disaster.

Senator DOLE. Chicken feed.

Mr. JOHNSON. I think that this is the most significant part, Senator Bellmon, of your colloquy here with Doctor Hathaway, and the part that he was not prepared to deal with. We urge you to see that if additional powers are given to the CCC, to move stocks of wheat around, that they do not do it to the disadvantage of wheat growers.

Senator LUGAR. Thank you.

Senator DOLE. I was not here for the earlier discussion, and I know Senator Bellmon and Senator Lugar have made a complete record. That is the problem. And I am not certain whether we really have a reserve here, or emergency purposes, or whether it is just another way to "stabilize" prices, which we are always fearful of.

I think all of us would be willing to set aside, somehow, food for emergency purposes. But I think I agree with Reuben. I am not certain what reserve we are talking about. I do not know where it is.

We have a commitment now, 4.4—

Mr. JOHNSON. 4.47 tons.

Senator DOLE. Tons.

Mr. JOHNSON. To the Food Convention.

Senator DOLE. That is the total of tons?

Mr. JOHNSON. That is right.

Mr. HAMMER. The objective.

Mr. JOHNSON. The target objective for the total amount of stocks is 10 million metric tons.

Senator DOLE. Do you object to that?

Mr. HAMMER. No, sir.

Mr. JOHNSON. No, sir. In fact, we think that is the best way to do it, to set up some kind of international food aid contingency here with a multilateral approach to administering it.

Senator DOLE. What about—maybe Senator Bellmon went into this—acquiring whatever reserve we have? I guess we can talk about CCC stocks, or producers, or purchasing from producers, or the market.

Is that how the administration—as I understand it—the administration is—under this 2869, to either use stocks acquired under the CCC price support lending operation, or to purchase directly in the marketplace?

I guess that is the same under the Lugar.

Senator LUGAR. You could have stocks that you could route first into this reserve, rather than into the market creating new supplies and depressing prices.

Senator DOLE. Is it wise to limit it just to wheat? I mean, look at the different bills. They affect different commodities.

Mr. JOHNSON. Well, I heard Doctor Hathaway explain that he said it was because, you know, it is a very nutritional commodity, basically. I think that was his reasoning, which I agree with.

Senator DOLE. Plus we have a lot of it.

Mr. JOHNSON. And I suppose that is another angle. He did not mention that, but we have got a lot of it. But we would like to see rice and soybeans and feed grains included. I would strongly support the language in the Humphrey-Bellmon bill, which would authorize also a process of blended end products to be made a part of the reserve.

In an emergency situation, having a product readily consumable would be a tremendous advantage.

Mr. HAMMER. Senator Dole, I think with respect to the administration's bill, and why it refers just to wheat, this bill is designed to go along with the wheat aid, International Wheat Agreement, and there has been a great deal of discussion as to whether or not that Wheat Convention would be changed to include other commodities, specifically, feed grains.

Our organization has opposed the inclusion of feed grains in the International Wheat Agreement. The European community is very much on the other side. They have their own reasons for it, and we view that their reasons are not in our best interest.

Senator DOLE. Protecting their interest.

Mr. HAMMER. And to limit some soybean and feed grains, that are coming into their market. So I would think that this discussion

should at least recognize that that is one of the discussions currently going on.

So far as the administration, it is very strongly opposed to the wheat agreement containing any more than just wheat. And we think that is the right way.

Senator DOLE. It is fair to say, finally, that both witnesses, both you and Mr. Johnson, have some reservation about the administration's proposal?

Mr. HAMMER. Well, I think we have reservations about the stocks being held in the Government's control.

Mr. JOHNSON. Well, I think I have reservations that may be somewhat different here, and that—

Senator DOLE. Disposable, probably. At what level?

Mr. JOHNSON. And the other way around. Acquisition, because this bill puts a stamp of approval on giving the administration authority to go out and buy wheat, when it is cheapest, to fill our Food Aid Convention requirements. I suppose they may be looking to the time when they may not have any stocks from CCC available.

Senator DOLE. The same thing, we have criticized the Russians for sneaking in, and buying wheat, and maybe they do the same thing here—not the Russians, the administration.

We have got plenty of wheat, I guess.

Mr. JOHNSON. How much do we have? The last figure I saw was over a billion bushels.

Senator DOLE. 1.2 billion bushels. You are talking about 6 million tons.

Mr. JOHNSON. That is about 225 million bushels, Senator.

Senator LUGAR. Right.

Mr. JOHNSON. A pretty small amount, in terms of what we are looking at now, in toto 1.2 billion bushels.

Senator DOLE. Thank you.

Senator BELLMON. Gentlemen, thank you very much. We appreciate your appearance and your testimony. I would invite you again to give us your specific recommendations as to the trigger device.

The next witnesses are Mr. Larry Minear, Secretary, Interreligious Task Force on U.S. Food Policy; and Martin McLaughlin, Senior Fellow, Overseas Development Council.

Gentlemen, welcome. If you have prepared statements and would like to submit them for the record, that would be preferred.

STATEMENT OF LARRY MINEAR, SECRETARY, INTERRELIGIOUS TASK FORCE ON U.S. FOOD POLICY

Mr. MINEAR. I do have a prepared statement which I am submitting for the record.

My name is Larry Minear. I serve as Secretary of the Interreligious Task Force on U.S. Food Policy. I am also consultant on World Hunger to Church World Service and Lutheran World Relief.

The task force, on behalf of whom I testify today, is a team of Washington-based staff of national religious bodies whose work is supported by over 20 Protestant denominations and national Roman Catholic, Jewish, and ecumenical agencies.

In our prepared statement, we review recent development on reserves, taken in the last year. We then proceed to a rather detailed review of the various legislative proposals before you, and finally conclude with some recommendations.

In the interest of time, let me simply summarize our recommendations, the comment on three or four points you have raised with earlier witnesses in this morning's session.

To summarize, we encourage the subcommittee to report out favorably and speedily legislation to create an international emergency reserve. In our view, the administration's bill provides a good legislative vehicle. To it we would suggest adding policy language along the lines of the McHugh bill and the provisions of the Humphrey-Bellmon bill regarding stocking, replenishment, and rotation.

Your bill is talking about international emergency reserves that would be stocked first with CCC takeovers, after which the CCC would go into the market for purchases. We feel that this is preferable to having no priority sequence between the two stocking options.

Senator Bellmon, in terms of the replenishment, your bill also provides that after the reserve is drawn down to a certain level—I believe you mentioned 2 million tons—that the Government would be required to replenish it. We feel that to be preferable to the administration's bill, which has no mandatory replenishment, at a certain point.

And finally, in terms of rotation, you suggest that stocks in the reserve be rotated exclusively through the Public Law 480 program, which we think is a desirable safeguard.

We also favor stipulating that the reserve include at least 6 million tons for the purposes of humanitarian relief and offsetting crop shortfalls. This amount of food aid, should be protected from market stabilization obligations encountered under the Wheat Trade Convention. In other words, we would like a certain core amount to be available in the reserve for emergency relief and crop shortfall response.

Let me give you my views on three or four questions that were raised in the earlier part of this hearing.

You asked various witnesses about the possibility, or the desirability, of including blended foods in such an international emergency wheat reserve.

I work for a private and voluntary organization, which uses blended foods in our programs in developing countries. They are indeed very helpful. We hope that in one way or another there could be some continuity of supply of blended food, whether wheat soy blend or corn soy milk, so that we would not again experience the severe cutbacks in tonnage which we experienced in the 1974-75 program.

Whether you assure that through putting blended foods in an international emergency food reserve or through some other measure, I think is a fair question.

As I understand the Department's position, it is that if you had wheat and wheat only in an international emergency reserve, this would mean that you would have to have less wheat, and could presumably have more blended foods, in your ongoing Public Law 480 program. Whether or not that is the case, I am unclear.

I do want to say, though, that we do need a continuity of supply of foods, and so I would encourage you to examine this issue in your deliberations here.

We were also attracted in this context to the blended food amendment that you had last year, Mr. Bellmon. It prevented leakage back into the U.S. market of the food that was in a reserve.

Of course, that is desirable in terms of wheat, as well as the——

Senator DOLE. What amendment was that?

Mr. MINEAR. This was the Humphrey-Bellmon bill. It would create an international emergency wheat reserve, including blended foods. To prevent——

Senator BELLMON. Once it is blended, it is available—not available for sale here in this country?

Mr. MINEAR. Right.

You have asked about the matter of waiving section 401, which has to do with the continuity of supply. This is one of the provisions of the administration's bill.

In our view, it would be desirable to waive this section for certain carefully defined food aid-related purposes. This past year, one of the reasons why food aid has been cut back is because the Secretary has had to specify that the food aid would not interfere with domestic supply, adequate carryover, or anticipated exports for dollars.

Our intention, in supporting the administration's bill on this point, is not to suggest that we would ever cut into our own domestic supplies of food, or into the adequate carryover.

We do, however, feel that there are circumstances under which food aid commitments to developing countries without money to buy food should take priority over potential international commercial purchases. And so it is for that reason that we would suggest that you do make a waiver for certain carefully defined purposes of section 401.

To speak to the point——

Senator BELLMON. Before you go on. Do you feel that the administration's bill properly makes those reservations, or established those conditions?

Mr. MINEAR. We have studied carefully their section which does that, and we feel that it is adequate to meet our concerns. This is in section 8 of the administration bill. You might want to review that with our concerns in mind. But I think we are comfortable with the bill as it stands.

You have asked a number of questions about the groundrules for release of food from international emergency reserve. And you have pointed, in particular, to section 5(a), which you are suggesting, Senator Bellmon, is a bit open ended and broad.

We could make a number of comments on this point. It seems to us that much of the food that was in such an international emergency wheat reserve should be channeled through Public Law 480. Therefore, the existing Public Law 480 safeguards would apply.

There is also a concern that you have raised that if we incur certain obligations under the International Wheat Agreement, the specifications for release in fulfillment of those obligations would be unhelpful or too broad.

Here I think that we could point out that a Wheat Trade Convention would take eventual ratification by the Senate, so that if the

price triggers in that convention were either too high or too low to suit your purposes, you will have another crack at that when the Wheat Trade Convention comes before the Senate.

Finally, in terms of subsection 2, our interest would be in seeing that the food released from the reserve would be related to crop shortfalls in developing countries rather than to prices. You were asking about this earlier. I think that would be a good way to proceed.

Also, you might specify that the release would be for certain priorities purposes. We would suggest that one of these might be emergencies, humanitarian emergencies. The second one might be for the ongoing programs of title III of Public Law 480. And then the third one might be for the other purposes of title I.

So in our view, you could perhaps tighten up this subsection in ways that would meet some of your concerns and still preserve the freedom or the latitude that program administrators would need.

Finally, let me comment on a concern that occurs to me. As I listened to the administration present its bill, they indicated that under certain exceptional circumstances, Public Law 480 would not provide the channel for utilizing food from this reserve. They talked about making food available around Public Law 480, or through other channels.

We can see that there might in fact be some circumstances in which that were desirable. On the other hand, we would like to see whatever food aid is made available from a reserve subject to some of the congressional concerns which now bind Public Law 480.

One such concern was reflected in your amendment last year, which is new section 401(b). No food aid would be programed which would have a price-depressing effect on local producers.

You also suggested, and the Congress agreed, that if there is inadequate storage in a given country, no food aid should be shipped. We feel that kind of safeguard is very important, and to make available food from a reserve somehow outside of those restraints would raise some questions for us.

We are also concerned about the 75-25 formula in section 111 of Public Law 480 and also the human rights safeguards, which are to us an important part of the food aid legislation and should not be circumvented by whatever new legislation is drawn up.

We are not alleging the administration has any nefarious purposes in mind here, but we simply would like to see food made available under this reserve within the ground rules of current food aid legislation.

Senator BELLMON. Thank you very much, Mr. Minear.

Mr. McLAUGHLIN. My particular area of interest is food policy, and I have prepared a statement for the record.

Senator BELLMON. Without objection, your entire statement will be in the record.

STATEMENT OF MARTIN McLAUGHLIN, SENIOR FELLOW, OVERSEAS DEVELOPMENT PROGRAM

Mr. McLAUGHLIN. Thank you.

I would like to say first that one of the problems with speaking last is that most of the good things have already been said. I find

myself very much in agreement on the legislation that you are talking about, as well as with the previous speaker, Mr. Minear, and many of the points made by the National Farmers Union.

I am Martin McLaughlin, senior fellow at the Overseas Development Council, a private research organization specializing in questions of international development and public policy.

I appreciate the opportunity to participate in these hearings of the Senate Foreign Agricultural Policy Subcommittee on international grain reserve legislation. I strongly support the intention of the bills before you to create a U.S. wheat reserve and thus enhance the U.S. contribution to world food security. I approach this subject from an international point of view, rather than domestic point of view. I do not think these points of view are necessarily compatible, but I do think they provide somewhat different optics.

This country has been a leader over the years in helping to feed hungry people all over the world. The legislation you are now considering would, I believe, strengthen that leadership and further systematize that still very necessary contribution.

The question of world food reserves is not new; it goes back at least to the biblical account of the advice Joseph gave to the Pharaoh in the Book of Genesis. But the idea has received its most recent stimulus from the World Food Conference of November 1974, convened in Rome by the United Nations. That conference, in which members of this subcommittee participated, looked at food security as one of the three areas of conference attention—the other two were food production and food trade. The conference wisely concluded that the ultimate solution to the world food problem is to increase agricultural production in the food-deficit countries, especially by the small farmers in those countries. But the conference also recognized that it will take those countries a good deal of time to move to either self-sufficiency or self-reliance in food production, since the main problems are not on the production, or supply, side of the equation, but on the demand, or distribution, side.

In view of its realization of how long remedial action would take, the conference unanimously recommended that an international food reserve system be established for the purpose, among others, of tiding the food-deficit countries over during the intermittent shortfalls to be expected in the process of their moving toward an adequate food supply. It also called on participating governments to subscribe to the International Undertaking on World Food Security, proposed by the Food and Agriculture Organization of the United Nations and designed "to avoid acute food shortages in the event of widespread crop failures or natural disasters."

The Congress itself, in acting the Food and Agricultural Act of 1977, a measure whose thrust and comprehensiveness stemmed in large part from the work of this Senate Agriculture Committee, amended the Agriculture Act of 1949 by requiring the Secretary of Agriculture to establish a program whereby producers of grain could store such products when they "are in abundant supply and extend the time period for their orderly marketing," up to a maximum of 700 million bushels of wheat. The Congress equally clearly intended that reserves accumulated in this fashion should also become the domestic component of an international system of reserves.

The President was "encouraged to enter into negotiations with other national to develop an international system of food reserves to provide for humanitarian food relief needs and to establish and maintain a food reserve, as a contribution of the United States toward the development of such a system. * * *"

I should apologize for reminding the members of this subcommittee of matters with which you are obviously more familiar than I am. I do so only to emphasize that the opportunity presented by the current legislative proposals is consistent with your clearly expressed intention and should, therefore, be seized. Both the Food and Agriculture Organization of the United Nations and the World Food Council, the 36-nation body set up by the World Food Conference to monitor its resolutions and coordinate action in response to them have, for the past 2 years, strongly urged governments to take advantage of the successive abundant harvests in many parts of the world and create the international grain reserve now while supplies are available. This appeal appears again in the documents being prepared for the Fourth Council meeting in Mexico City in June. Otherwise, we may all face a repetition, on an even greater scale, of the tragic events of 1972-73, which prompted the United Nations to convene the World Food Conference a year later.

There is, as you know, an extensive current literature on international grain reserves, focusing on the major questions involved in creating and managing such a system: How large should it be? What should it contain—only food grains, or feed grains as well? Where should the reserve be held—on farms, in producer countries, in food-deficit countries? Who should pay for the accumulation and maintenance of the reserves? And on what basis should the reserves be accumulated and released? These questions, especially the last two, have been key items in the discussions at the International Wheat Council, which recently ended without agreement. I have taken the liberty of sending the committee several copies of an analytical paper prepared for the Overseas Development Council by three distinguished economists—Lance Taylor, Alexander Sarris, and Philip Abbott. It is a controversial presentation, but represents one of several thoughtful efforts to respond to these questions. It concludes that a world reserve of wheat somewhat smaller than some other analysts have recommended—15 million tons—would meet 19 out of 20 possible situations. If such a smaller size turned out to be adequate, it would greatly reduce the cost—which should be shared, in any case, among producers, rich importing nations, and OPEC countries, with special provision being made for food-deficit countries unable to pay.

It may seem strange to talk about food deficits at a time when American farmers have been voicing their concerns about price-depressing surpluses so vehemently here on Capitol Hill and elsewhere for the past several months—to the point where many of the Members of Congress felt it necessary to increase acreage set-asides sharply, raise target prices and loan levels, and provide further incentives to reduce production. I am a firm believer in equity for the American farmers. And now that the intensity of the Emergency Farm Act debate may be leveling off, it will be absolutely urgent to look closely at farm policy across the board and try to provide that equity.

At the same time, there are perhaps half a billion people, most of whom admittedly are remote from all of us, who are also entitled to equity. These are the people the world said, at the 1974 World Food Conference, are malnourished and facing starvation. Despite good crops since that time, the world's population has grown by roughly the number of people in this country today, 215 million. Most of them have been born into these disadvantaged societies, and most of them are hungry. Their parents are probably farmers, or at least they live in the countryside. They probably know how to farm better than they do, but for a variety of cultural, economic, social, and political reasons applicable to their societies, they do not have the incentive to improve their methods and increase their production. While it may not be possible for us in this country to provide that incentive directly, we can at least help them buy time while action takes place in their own countries. Creating the grain reserve, as well as furnishing food aid—and S. 2869 very wisely links the two—will help buy them that time. Other action by the Congress, beyond the scope of this legislation, will be required to help provide the incentive.

At the end of 1977, the FAO issued its Fourth World Food Survey. Many of you may have seen it or read it. It is a sobering document, especially for those who are inclined to be more concerned about surpluses than about shortages. "Although the growth of world food production since the 1960's has been greater than that of population," it says, "the margin between the two that is, the growth of food production per caput, has been shrinking. * * * However, during the period 1970 to 1976 the growth rate of total food production slowed down to 2.7 percent and to only 0.3 percent on a per caput basis."

A reasonable person might well conclude, considering the "grain glut" we see in the United States and the grim picture painted by the survey, that the basic problem is distributional. Food is available, but people cannot buy it. Until they can, or until they can produce for themselves, a reserve is needed. That, to my mind, is what this proposed legislation is about. I hope your discussion will continue on that basis. I believe it is regrettable that this kind of discussion did not precede the recent debate on the Emergency Farm Act.

An argument from history is often made against grain reserves, namely, that the reserve overhangs the market and drives prices down. But there is no essential reason why a well-managed reserve would operate to impoverish the farmer. Quite the opposite, in fact. A well-managed reserve should be able to stop prices from falling so low as to deprive farmers of a fair return on their investment and labor, keep the market from rising so high that poor people are priced out of it, and prevent dumping surplus grain in poor countries and thus reducing producer incentive there.

About the text of S. 2869, which I have read in the Congressional Record of April 10, I would like to express one reservation and one concern. The reservation is that I hope you will not consider it necessary to tie the language as closely as the bill does to the hoped-for Wheat Trade Convention, which is still not very close to agreement, at least according to newspaper accounts. The reserve would

certainly be a most useful support to a Convention, but it seems to me it should stand on its own merits. We need a reserve irrespective of the Wheat Trade Convention. It has been called for—and agreed to by the United States—in a long series of U.N. and other international meetings. A food reserve was even part of the original Bretton Woods proposals, though it was not created at that time. Moreover, in addition to supporting the Convention, if a new one is negotiated, the reserve would also greatly help rationalize the U.S. food aid program—another important concern of this committee, whose review was mandated by the Food and Agriculture Act of 1977.

Sometimes food is least available when it is needed most, as in the 1973-75 period. This results in a double penalty to the food-deficit developing countries, which have to spend scarce foreign exchange to buy food at escalating prices in the commercial market.

The concern I want to register—also voiced by Larry Minear—is that the permissive language of section 5 of S. 2869 about the distribution of the reserve wheat not be interpreted to relieve the President of the necessity of complying with sections 111 and 112 of the Agricultural Trade Development Assistance Act of 1954, Public Law 480, as amended last year. These sections have to do with poverty criteria and human rights and already, in my view, accord sufficient flexibility to the President.

With respect to S. 2641, I would suggest that since feed grains are not widely used to feed hungry people, they not be included in the 7.5-million-ton reserve called for in that bill. I do not mean to suggest that the question of a ratio between food grains and feed grains should not be considered, but simply that it should not be included in this legislation.

In short, I would strongly favor legislation along the lines you are considering. I do not propose, of course, that we return to the position of the 1960's, when the United States owned historically unprecedented stocks of grain. But I do suggest that at a time when total world grain stocks are approaching 200 million tons, half of it wheat, the concern of the international community for those people who are starving and malnourished in the mist of this plenty should take the form of converting some of these stocks into a reserve to help insure that the starvation ceases and the malnutrition abates.

There are many other questions that are relevant, but we do not have time for all of them now, and they could not all be solved with a single piece of legislation in any case. There are, for example, the questions of adequate storage facilities in food-deficit countries; a financial reserve to provide purchasing power in times of shortfall; post-harvest loss—which accounts for up to 30 percent of the harvest in some circumstances—and how to reduce it; rural unemployment; farmer organization, or lack thereof; land tenure; credit; extension services, rural health and education, water supply, and so forth.

It is encouraging to see the Foreign Agricultural Policy Subcommittee taking up the reserve question. I hope it will move into all of these areas in due course.

There is always a bottom line, a cost of doing the good things we want to see done. But if I could make my final comment simply as a taxpayer, I would much prefer to see my tax dollars spent to build

and maintain a well-managed international grain reserve than to pay farmers not to produce grain.

Thank you for the opportunity to take part in this hearing.

Senator BELLMON. Thank you, Mr. McLaughlin.

I will just ask one question, and yield to Senator Lugar.

The administration witness this morning made a case, or at least tried to make a case, for the fact that he feels this legislation is needed now to assist our negotiators in working out an international food reserve, and that he felt that they could not convince other participants that Congress would act in a timely way. We need to act in advance.

You have been close to those negotiations. Do you agree with that position?

Mr. MINEAR. In my view, it would in fact be helpful to have legislation along the lines that USDA has suggested, not only for the purpose that it indicates, but because the Congress can only consider so many reserves or food policy pieces of legislation in a given year.

I think if it is likely that the Wheat Trade Convention will be concluded in September, it would, I think, be difficult to pass reserve legislation within the next month or two, irrespective of the Wheat Trade Convention, and then come back early next year and pass legislation that would be applicable to the Convention.

Therefore, it seems to me that there are some good reasons for trying to put everything together in the single package.

Mr. McLAUGHLIN. I would agree with that and I think, in all candor, that the international community has some doubt that the administration's position in any way commit the Congress to legislate in support of them. This refers mainly to other kinds of things than this one, but there is this feeling abroad that the United States may promise to contribute x percentage of some international fund, and it will turn out that that may not be appropriated. That it did not get appropriated proves that the Congress did not have to do what the administration has committed the United States to.

I think that this frame of mind is abroad. Therefore, for the reasons Larry mentioned, as well as a psychological one, I think it would be good if the administration had in its kit bag already not a commitment, but a forward-looking piece of legislation by the Congress.

Senator BELLMON. It seems to me we should be careful that we do not give the administration a blank check.

Mr. McLAUGHLIN. I could not agree more about the blank check. But it seems to me that it is possible to fill in part of the check anyway.

Mr. LUGAR. I have no further questions.

I appreciate your testimony, your very thoughtful comments.

Mr. MINEAR. We appreciate your bill.

Senator BELLMON. You have been very helpful, gentlemen. We thank you for your contribution.

If there are no further witnesses, the hearing will be closed.

[Whereupon, at 11:45 a.m., the subcommittee adjourned, subject to call of the Chair.]

APPENDIX

STATEMENT OF MICHAEL L. HALL, PRESIDENT, GREAT PLAINS WHEAT, INC.

Mr. Chairman and Subcommittee members: Our organization appreciates your invitation to appear before this Subcommittee to discuss with you and your colleagues the provisions of various bills, all of which pertain to the creation and operation of an international emergency wheat reserve. In the interest of time, I will not attempt to examine in detail the various provisions of S. 2641, S. 2278, and S. 2869. Rather, I would like to make a few general observations about the purpose, structure and operation of such a reserve. Nevertheless, I am sure that my comments will in fact touch upon the salient features and provisions of each of the bills before the Subcommittee.

At the outset, however, I would like to briefly identify my organization and its primary function with respect to the proposed legislation about wheat reserves. Great Plains Wheat, Inc. (GPW), is a foreign market development organization supported by wheat producers through their respective state wheat commissions in Colorado, Kansas, Minnesota, Nebraska, North Dakota, Oklahoma, South Dakota, Texas and Wyoming. In addition to the central office in Washington, D.C., Great Plains Wheat maintains foreign regional offices for Europe, the Middle East, Africa and Central and South America, to administer on-going promotional programs to expand export markets for all five classes of U.S. wheat.

The GPW Board of Directors, a nineteen member board of actual wheat farmers from the nine-member states, has long supported the concept that the United States should be prepared to provide wheat and other food grains for international famine and food relief purposes. Consequently, our organization is in basic agreement with the purpose of each of the three bills that this subcommittee is considering today. On the other hand, GPW is genuinely concerned about the structure and operation of a wheat reserve with respect to the impact on prices.

With respect to meeting its international obligations and commitments of providing emergency food aid relief, the United States has long set the standard and provided the leadership in this effort. Our organization questions whether such an international emergency wheat reserve should simply be structured and operated on the basis of simply holding a predetermined quantity of the physical commodity within the United States for movement through the domestic transportation system and export facilities to meet a genuine famine or relief emergency situation overseas. Whenever such an international emergency arises, the United States could simply purchase wheat at an appropriate position for immediate shipment to the recipient overseas country.

This is to suggest that a commitment by the United States to meet emergency food requirements overseas does not require the actual physical holding of the commodity by the Government. It means that such commitments can just as well be discharged by establishing the necessary budgetary authority for the U.S. Department of Agriculture to purchase up to a predetermined amount of wheat at the prevailing market price in the United States for immediate shipment to recipient foreign countries. A commitment to a funding or monetary reserves to meet overseas famine and food relief commitment would not require the Government to be the actual owner of the wheat, with all the attendant concerns about grade and quality maintenance, the actual storage position in the United States, the percentage composition of the five major U.S. wheat classes to be purchased and held in a commodity reserve, or the subsequent release back into the market for whatever reasons the Government would elect.

Within the context of attempting to negotiate an international wheat agreement that contains provisions for a nationally held and internationally coordinated wheat reserve scheme, GPW supports the concept of the United States holding the physical commodity in a reserve to meet such obligations under an international agreement. This support is made only in principle to the concept of such reserve, and would be contingent upon several factors: (1) the total quantity of wheat to be placed in such a reserve; (2) the mechanisms for acquiring and releasing the commodity from the reserve; (3) the price levels for acquiring and releasing the commodity from the reserve, either of which could be determined by indicative prices that best reflect the overall world wheat supply-demand situation; (4) the location of the physical reserve; and (5) the level of economic benefits accruing from the storage of such a physical reserve to U.S. wheat farmers.

However, according to most public accounts of the ongoing effort to negotiate a successor agreement to the International Wheat Agreement of 1971, there appears to be little likelihood that the type of successor agreement will be negotiated to accommodate the reserves concept advanced by the United States at the recently concluded UNCTAD Conference in Geneva, Switzerland. As you and your colleagues are well aware, Mr. Chairman, the United States showed the leadership in responding to the Rome Food Conference of 1974 in working toward greater world food security. In this regard, the United States proposed a three-dimension approach at both the International Wheat Council and the UNCTAD Conference to achieve greater food security and a degree of moderation of world wheat prices. It included measures to provide for (1) a nationally held, but internationally coordinated wheat reserve scheme; (2) international coordination of world wheat production at either low or high indicative prices; and (3) international coordination of world wheat consumption at either low or high indicative prices.

It may well prove impossible to negotiate successfully another international wheat agreement along the lines advanced by the United States. The creation of such an international wheat reserves unilaterally by the United States in advance of further efforts to negotiate a wheat agreement would only weaken substantially the incentive for other countries, both developed and developing importer and exporter countries, to participate positively in such negotiations. At this point, it is well to recall that the United States has already moved to curtail production as a measure to improve prices for wheat in the coming season. There has been sustained gains in wheat prices over the past several months, gains achieved more because of fundamental wheat market factors than projected reduction in acreage by U.S. wheat and feedgrain farmers. Consequently, there would also appear to be little if any incentive for the other major wheat producing and exporting countries to embrace now a measure of international coordination of production adjustment in the context of an international wheat agreement. As a matter of fact, seeding intentions for all grains by Canadian producers are for a two percent increase over last year—an increase encouraged by Canadian Government officials. Preliminary reports from Australia and Argentina also indicate that wheat and grain producers in those two Southern Hemisphere countries will also move to maximize production provided that favorable weather and moisture conditions prevail.

At the present time, just over 300 million bushels of wheat have been placed in the three-year U.S. farmer held reserve. The USDA Commodity Credit Corporation has acquired title to about 60 million bushels of wheat due to defaults under the loan program. It is now too early to project the total amount of wheat that will be placed in the three-year farmer held reserve. In addition, the projected carry over of wheat on May 31, 1978, is placed at 1.2 billion bushels. Consequently, there is a "reserve" of wheat in the United States to meet any significant contingency with respect to either domestic or foreign demand. As a matter of fact, it is this sizeable quantity of wheat stocks in the United States that has served to moderate the rapidity and level to which wheat might move in the face of a substantial pick-up in domestic commercial and foreign export demand.

I would just comment that the purpose for which S. 2641 and S. 2278 were presented to the Subcommittee has been well achieved in the past and can be obtained in the future by continuing appropriate Government acquisition of wheat to meet international famine and relief purposes. Moreover, the U.S. has offered to even increase its commitment under a new food aid convention

of a wheat agreement from 1.89 million metric tons to 4.2 million. On the other hand, the major purpose for which S. 2869 was presented, Mr. Chairman, is almost completely dependent on the successful conclusion of a successor agreement to the International Wheat Agreement of 1971, a conclusion that would require an equal distribution of the burden of carrying wheat reserves among the major wheat exporting and importing countries.

The difference between a U.S. Government wheat reserve to meet International emergency famine and food relief purposes is quite distinct from a U.S. Government reserve to meet any obligation under an international agreement for wheat stocking and destocking action. It may be appropriate to simply consider the establishment of a projected emergency wheat reserve for famine and relief purposes along the lines advanced by these three bills. Nevertheless, it might be premature at this time to establish an additional reserve quantity for a U.S. Government wheat reserve in advance of knowing if (1) there will be a successful conclusion to the U.S. effort to negotiate another wheat agreement and (2) the percentage quantity of a wheat reserve that would be the obligation of the United States in an international coordinated wheat reserve. Moreover, such legislative authority could well be provided during the Senate ratification process on any subsequent wheat agreement.

In all of the discussion about achieving greater food security by the way of an international reserve, there appears to be little, if any, emphasis being given to the other two co-equal components that makes up the U.S. proposal for a successor international wheat agreement: an international mechanism for coordinating production adjustment and an international mechanism for coordinating consumption adjustment. An international wheat agreement that only contains the element of reserves with no commitments to the other two important measures would probably serve neither to moderate sharp price swings nor to provide greater food security. If the world were to experience consecutive sharp production shortfall in wheat and grain production, an international reserve in the absence of consumption adjustment measure would soon be deleted on the basis of firmer world wheat prices. Conversely, if the world were to experience several consecutive years of record wheat and grain production and resultant low world wheat prices, the international reserve would be met quite quickly in the absence of any internationally coordinated measure for production adjustment. Therefore, the definition and actual creation of a U.S. wheat reserve as its obligation in a Wheat Trade Convention of any future wheat agreement should definitely be heavily dependent upon the commitment of other major wheat exporting and importing countries to participate in a balanced agreement that contains reserves, production and consumption measures that would be triggered by indicative world wheat prices.

Thank you, Mr. Chairman and members of the Subcommittee. If you have any questions, I will attempt to answer them for you.

STATEMENT OF LARRY MINEAR, SECRETARY, INTERRELIGIOUS TASK FORCE ON U.S. FOOD POLICY

My name is Larry Minear. I serve as Secretary of the Interreligious Taskforce on U.S. Food Policy. I am also Consultant on World Hunger to Church World Service and Lutheran World Relief.

The Taskforce, on behalf of whom I testify today, is a team of Washington-based staff of national religious bodies whose work is supported by over twenty Protestant denominations and national Roman Catholic, Jewish, and ecumenical agencies. Our very existence reflects the widespread concern in the American religious community for the twin problems of global hunger and poverty, and the widespread conviction that one way in which we in the religious community are obligated by our religious faith to seek justice for the needy is through addressing public policy issues. The Taskforce speaks for itself.

THE NEED FOR RESERVES TO MEET EMERGENCIES

Reserves deserve a prominent place in U.S. food and agriculture policy. In testimony on the 1977 farm bill before the full Senate Agriculture Committee last year we noted that:

"Grain reserves are not, and can never be, a panacea for all the world's food and food-related problems. Increased agricultural production in the developing countries, more development aid, more just trade arrangements, more equitable distribution of resources among nations, and especially, greater purchasing power for the world's poor majority will continue to be urgently needed even after international reserves become a reality. Such steps need to be vigorously pursued even as discussions on establishing reserves take place. Food reserves, after all, are not an end in themselves, but one of several essential means to the end of improved nutrition for all."

Having said this, we went on to underscore the very importance of maintaining adequate food supplies, both for meeting emergency needs and for moderating extreme fluctuations of price and supply. In the absence of consciously held and carefully managed reserves, the drastic drawdown of U.S. stocks in 1972-74 brought rapidly sky-rocketing prices, panic buying, and radically reduced levels of U.S. food aid. As E.A. Jaenke has observed, "The world's poor, malnourished and starving bear a tremendous human cost when food supplies get as low as they did in 1974 and 1975. Many paid this cost with their very lives. In order . . . to respond with compassion to people caught in food shortage emergencies, droughts, floods, or earthquakes, food must be available immediately and in considerable quantity."

RECENT DEVELOPMENTS ON RESERVES

Some genuine progress towards world food security has been made in the years since the crisis which led to the calling in 1974 of the World Food Conference. At the international level, 72 countries have now subscribed to the UN Food and Agriculture Organization's Undertaking on World Food Security, pledging themselves to the building of their own national reserve stocks in an internationally agreed manner. Current negotiations towards a more formal reserve stocking arrangement within the context of a new International Wheat Agreement are said to be proceeding with a new sense of seriousness, although serious difficulties remain.

At the urging of governments in several international forums, the World Food Program has developed an International Reserve for Emergencies, with a stock target level of 500,000 tons. The U.S. has made an initial contribution of 125,000 tons to this small but worthwhile venture and is considering the appropriate level for its replenishment. There is also considerable international interest in reviewing and strengthening the current Food Aid Convention. The U.S. has increased its pledge significantly from the current 1.89 million metric tons (MMT) to 4.47 MMT, with an additional 20% to become available in years of particular need.

On the national scene, the farmer-owned grain reserve which Congress enacted last year represents significant forward movement on the world food security agenda. Recent steps taken by the Administration to raise storage payments and speed eligibility for participation have further improved the effectiveness of the farmer-owned reserve. Over 300 million bushels of wheat have now been placed in the extended loan/ resale program. There is some expectation that feedgrains will begin to be signed up in significant amounts beginning May 1 when 1977 crops become eligible. The Taskforce has strongly supported the idea of a farmer-owned reserve from its earliest discussion in the Senate Agriculture Committee last year. We are now advocating further steps to increase participation in the resale program, including higher loan levels for wheat and feedgrains and somewhat higher release prices.

Like the farmer-owned reserve, the idea of an international emergency food reserve first received serious legislative consideration in this Committee.

Legislation introduced by the late Senator Hubert Humphrey served as the framework for the Committee's action, with a major contribution coming from Senator Henry Bellmon. The resulting provision authorizing the creation of a U.S. food reserve designed to meet international emergency needs and serious food production shortfalls in developing countries was approved as part of the Food and Agriculture Act of 1977, first by the Committee and then, after minor modifications, by the full Senate.

Unfortunately, the House took no action last year on the issue of reserves for emergencies and the language passed by the Senate was weakened in conference—less for substantive reasons than to avoid a parliamentary challenge

to the farm bill on the House floor. The final bill as enacted encourages (rather than authorizes) the President to enter into negotiations to establish an international emergency reserve but does not direct the Secretary to establish the U.S. component of such a reserve nor specify the original figure of 2-6 MMT.

On August 29, 1977, the Administration announced it would seek specific congressional approval for "a special International Emergency Food Reserve of up to 6 million tons." Lamentably the actual transmittal of draft legislation to the Hill was delayed until March, apparently due to prolonged inter-agency discussions within the Executive Branch. That bill has now been introduced by Chairman Talmadge as S. 2869.

Meanwhile, a number of Members of the House and Senate have introduced bills of their own to establish reserves for emergencies. In November, Senators Humphrey and Bellmon re-introduced the reserve provision which had been passed by the Senate last May (S. 2278). In the House, Congressman Matthew McHugh introduced a similar measure, enlisting 86 co-sponsors for the bill (H.R. 9573). More recently, Senator Richard Lugar and Congressman Benjamin Gilman have introduced their own reserves bills (S. 2641 and H.R. 11439).

Against this background of growing interest in world food security in general and an international emergency reserve in particular, I would like now to comment on the various legislative options and urge prompt action by the Congress to enact such a reserve without further delay. For despite forward movement along the lines indicated above, world food security remains an elusive hope for many of the world's people, particularly the poor majority.

A COMPARISON OF CURRENT LEGISLATIVE PROPOSALS

Let us turn now to a comparative analysis of existing legislative proposals regarding international emergency reserves, analyzing each in terms of the major objectives which in our view such a reserve should serve.

(1) The *purposes* of an international emergency reserve should, we feel, be at least two-fold: providing humanitarian relief and offsetting crop shortfalls in developing countries. The Administration bill specifies these two purposes and adds a third: to fulfill expected U.S. reserve stock obligations under the Wheat Trade Convention (WTC). The Humphrey-Bellmon and McHugh bills specify only the first two of these purposes, although both clearly advocate creation of U.S. reserves simultaneously with the carrying out of negotiations for an international system of reserves for emergencies.

The Lugar bill has somewhat narrower objectives. Its reserve would respond to humanitarian relief needs under Title II of PL 480 and to current programming needs under Title I but not to crop shortfalls as such. Nor does it have an international reserves dimension.

With respect to the third objective specified in the Administration bill—that of fulfilling U.S. WTC obligations—we are supportive of negotiating international agreements on reserves, both for price stabilization and emergency purposes. We remain somewhat unclear as to whether the authority sought in the Administration bill is relevant to one or both of these purposes. In any case, we prefer not to take a firm position in advance of reviewing an eventual WTC agreement. We would encourage Congress, however, to provide the Administration with explicit authority to hold stocks pursuant to an eventual WTC agreement. The necessity for Senate ratification of an actual WTC agreement guarantees further congressional scrutiny of this issue.

In addition to supporting the purposes of the Administration bill, we would favor strengthening it by adding policy language along the lines of the McHugh bill in the House: "The Congress . . . finds and declares that the health, well-being, and lives of people throughout the world are endangered by the absence of consistent and coordinated efforts among the governments of those people to establish and maintain food reserves as a safeguard against food emergency situations and severe crop shortfalls."

(2) *Assured continuity of supply* for U.S. food aid is central to any U.S. grain reserve designed to meet international emergencies. This has been one of the themes of recent discussions in the USDA PL 480 Taskforce, on which I serve. While the Taskforce's recommendations have yet to be finalized, there is broad consensus among us that continuity of commodities is essential if U.S.

food aid is to serve productive development and nutrition purposes. A similar consensus on this point emerged in the Executive Branch World Hunger Working Group, chaired by Dr. Peter Bourne, and on the need for international emergency reserves themselves.

Assured continuity of supply seems likely to be best guaranteed by the Administration bill, which in Section 6b waives the operative sentence of Sec. 401 of PL 480 to assure commodity availability in times of short supply. Section 8 also excludes commodities in the reserve from the total domestic supply for the purposes of Section 401 and from any limitations which might be imposed on U.S. exports.

No similar explicit protections are afforded by the Humphrey-Bellmon bill, although replenishment of the proposed reserve would clearly be allowed even in times of short supply. The Lugar bill allows stocking of the reserve through purchases in the market (as distinct from CCC take-overs) only when domestic supplies of the given commodity are adequate to meet requirements for domestic use, anticipated commercial exports, adequate carryover, and food aid programming requirements. Release of reserve commodities themselves are similarly subject to commodity adequacy for those purposes. This arrangement would have twin disadvantages. It makes the purchase and release of reserve commodities generally contingent upon the prior satisfaction of international commercial demand. It also appears to make the use of reserves for food aid purposes subject to the prior availability of food aid itself for such purposes.

(3) Regarding *tonnage levels*, current legislative proposals offer a range of options: from 2-6 MMT under Humphrey-Bellmon, to 6 MMT (plus any additional amounts needed to fulfill U.S. WTC reserve obligations) under the Administration proposal, to 7.5 MMT under the Lugar bill.

While the Lugar bill has the advantage of making larger tonnage available, the Administration bill provides clear authority for tonnage levels expanded to accommodate obligations under the WTC. Whatever obligations are incurred under the WTC, however, should not be allowed to draw down stocks for humanitarian relief and crop shortfalls below the 6 MMT figure. WTC obligations should be above and beyond the basic 6 MMT to be acquired for such purposes.

In this context, the relation between reserve stocks and PL 480 flows may require clarification. Our interpretation of the Administration and Humphrey-Bellmon proposals is that such reserves under normal conditions would serve to backstop rather than supplant regularly programmed PL 480 commodities. The reserves would assure that food aid for humanitarian and developmental purposes can be maintained at, or close to, normal programmed levels when supplies are low and acquisition costs are high. In many years, such reserves might remain untapped. In situations of widespread food scarcity, they might be drawn down and speedily programmed through PL 480 to provide additional tonnage on a countercyclical basis or to avoid otherwise likely reductions in normal PL 480 levels. For the most part, however, allocations made from reserve stocks would be additional to normal PL 480 tonnages. If less additionality and more substitutability is envisioned than is indicated here, we would favor that the legislation be revised to stress the additionality side.

Before leaving the subject of tonnage levels, it may be worth pointing out that the size of the proposed international emergency reserve is roughly comparable to the size of the reduction projected for wheat carryover stocks at the end of the 1978 crop year had the flexible parity approach of H.R. 6782 been adopted. Placing about the same amount of wheat under reserve would benefit both farmers (wheat prices would rise, estimates USDA, by 15-20¢ per bushel with a 6 MMT procurement)—and the cause of world food security.

(4) *As for stocking, restocking, and release arrangements*, we would favor the legislative proposal which provides for the earliest stocking and the most prompt replenishment. Each of the bills specifies acquisition through CCC takeovers and purchases in the market. We have a slight preference for the Humphrey-Bellmon approach, which specifies that purchases would make up the balance of whatever is unavailable through CCC takeovers. We are pleased to note in passing the expressed intention of the Administration to place into reserve 6 MMT of wheat (220 million bushels) "before the beginning of the 1978 crop year."

The Administration bill authorizes replenishment when "purchases will not unduly disrupt the market," an authority which we hope would be used to the

fullest. The Humphrey-Bellmon bill requires replenishment whenever stock levels dip below 2 MMT, which strikes us as a reasonable position, although perhaps a little on the low side. The Lugar bill limits the ability of the Secretary to replenish the reserve in periods of tight supply. Each bill allows the necessary rotating of reserve stocks, with the Humphrey-Bellmon bill specifying that rotation be carried out only through PL 480 channels as a safeguard against the release of stocks into the U.S. market with consequent price-depressing effects for farmers. We prefer the Humphrey-Bellmon rotational arrangements.

Each proposal authorizes release of food for humanitarian relief in disaster or emergency situations. The Administration and Humphrey-Bellmon bills also allow for release of stocks to help meet food import requirements during times of short supply. (The Administration bill also mentions high prices as a factor.) The Lugar bill, in addition to emergency purposes, allows for the use of food from the reserve to maintain Title I PL 480 flows at levels equal to the previous three years' average. While we are sympathetic to the desire for maintenance of Title I supplies, such flows have not historically constituted very good indicators of need. We would prefer the language of either of the other two bills on this point.

CONCLUDING RECOMMENDATIONS

To summarize, we encourage the Subcommittee to report out favorably and speedily legislation to create an international emergency reserve. In our view, the Administration's bill provides a good legislative vehicle. To it we would suggest adding policy language along the lines of the McHugh bill and the provisions of the Humphrey-Bellmon bill regarding stocking, replenishment, and rotation. We also favor stipulating that the reserve include at least 6 MMT for the purposes of humanitarian relief and off-setting crop shortfalls to protect against the depletion of this amount in fulfillment of any eventual market stabilization obligations under the Wheat Trade Convention.

STATEMENT OF BRENNON JONES, ISSUES ANALYST, BREAD FOR THE WORLD

Mr. Chairman and distinguished Subcommittee members, I appreciate the opportunity to submit testimony on behalf of Bread for the World. Bread for the World is a Christian citizens' movement on hunger and poverty with over 22,000 members and local chapters in more than 350 Congressional districts.

Bread for the World is pleased that this committee is addressing the need for a U.S. international emergency reserve. The demand for such a reserve is urgent, and we hope that Congress will move quickly in legislating its establishment.

The need is obvious—A U.S. emergency reserve would provide (1) long-term food security to developing nations; (2) immediate benefits to U.S. farmers (because purchases to stock the reserve would be bought from them); and (3) could provide the opportunity for the United States to cooperate with other nations in establishment of an internationally coordinated system.

BACKGROUND

In 1974, the U.N. World Food Conference unanimously called the establishment of a system of international grain reserves an essential step toward world food security. The task was all but impossible then because sufficient supplies to stock the reserve were unavailable. The justification for reserves was based on these considerations:

1. *An emergency grain reserve would enable the United States to respond effectively to food scarce conditions.*—a. Without such a reserve, food assistance shrinks precisely at the time when it is needed the most—during famines. Why? Because food aid is bought at the current market price, and in times of scarcity the price soars. So the same aid dollar buys considerably less grain. For example, sky-rocketing grain prices in 1972-73 directly affected the amount of food aid available for developing nations. Total food aid shipments dropped from the 9.9 million ton level in 1972 to a low of 3.3 million in 1974.

b. The increase in the death rate during food scarce years underscores the urgency of holding emergency reserves. Available data for 1974 in one rural

district in Bangladesh—Metlab Bazar—links death rates with food scarcity. In this case, reluctance of rich nations to provide enough additional food relief because it would have raised domestic prices played a deadly role. Without adequate food aid, Metlab Bazar's death rate soared. The death rate there suggests a nationwide increase in deaths of more than 300,000. Data for India indicates a similar increase in the death rate in 1972. More than 800,000 lives were lost in the states of Bihar, Orissa, and Uttar Pradesh alone.

c. Without emergency reserves, poor nations are at the mercy of world market prices. Grain prices tripled and quadrupled in the 1972-74 market year, with wheat rising from \$60 a ton to \$200, and rice from \$130 to more than \$500 a ton. But the developing nations still had to buy much of their food. When a nation such as India is forced to spend over \$500 million of its scarce foreign exchange on U.S. food purchases—as it did in 1974—that is money that is not available for making desperately needed long-term agricultural production and development gains.

These considerations are not new to this subcommittee. On several occasions, including in the Food and Agriculture Act of 1977, Congress has encouraged the President to establish an emergency reserve. The Senate even passed emergency reserve language in its version of the farm bill last year (it was deleted during the Conference because of a House jurisdictional problem.) The Carter Administration has repeatedly voiced support for such a reserve.

WHY THE SENSE OF URGENCY?

News reports have recently focused, and rightly so, on the plight of U.S. farmers who have been feeling the crunch of record surpluses. Even so, the need for emergency reserves is as great as ever—not just because purchases of grain to stock the reserve would help U.S. farmers (though they would)—but because world stocks are still tighter than most of us realize. Some observers consider the situation similar to that of the early 1970's, which set the stage for the rapid depletion of world surpluses. The carry-over of world wheat, feedgrain and rice at the beginning of the 1978 harvest was about 193.8 million metric tons—only 15 percent of 1977 grain consumption. Relative to consumption, this is nearly equivalent to the 1972 carry-over of 172 million metric tons. Other factors echo the earlier period: grain prices have been depressed, attracting increased exports and expanded livestock feeding. The U.S. dollar is unusually weak against other currencies. Acreage set-asides and production restrictions are being put into force, and we do not know what production decreases this will bring. Unexpected shortfalls in the Soviet Union and at least one other country (in this case, China) have occurred. How much grain they will purchase in the international market is—as in 1972—not yet known. And uncertain market demand is causing a highly charged speculative atmosphere. A combination of factors could drain stocks in short order. Add the possibility of bad weather—which the world has miraculously managed to avoid the last several years—and the world could face another round of grain shortages, famines and sky-rocketing grain prices. A U.S. international emergency reserve would serve as an insurance policy for developing nations against just such a scenario.

Rather than addressing the particulars of the several emergency reserve bills this subcommittee has before it, I would like to list what Bread for the World believes are essential considerations in the establishment of any U.S. international emergency reserve:

1. While such a reserve might subsequently fill both the emergency/humanitarian function and U.S. stock commitments to a new international Wheat Trade Agreement, it is crucial that the Administration be given authority to immediately build stocks, even if a new international agreement has not yet been completed. Should such an agreement subsequently be negotiated, Senate ratification will be necessary—that will be the time to make the necessary adjustments to fulfill the commitment.

2. The reserve should be at least 6 million metric tons—and larger if it subsequently must provide stocks for U.S. portion of an international reserve agreement.

3. It should be composed *primarily* of wheat.

4. It should be government owned to assure its availability in emergencies, and to fulfill U.S. commitments in an international agreement. *But* there should be explicit restrictions to insure that it could not return to the market depressing U.S. farm prices.

5. It should provide grain either as an outright grant or on highly concessional terms to nations suffering shortfalls due to climatic or other disasters. Should an international reserve agreement be reached, the decision on allocation of the U.S. portion should be internationally coordinated. Regardless, decisions should be subject to Congressional review and to the same political and human rights provisions that govern Public Law 480 food aid distribution.

6. It should provide for continuity in essential multi-year development projects that routinely use U.S. food assistance. This would prevent the kinds of disruptions that occurred on many development projects between 1972 and 1974 because of curtailment of assistance.

7. Emergency stocks should be placed in strategic locations in the United States to allow for rapid transport in times of critical need. The United States should explore with developing nations the feasibility of placing reserves in regional locations closer to predictable need.

8. A mechanism should be established to periodically monitor the nutritional impact of the distribution of emergency reserve assistance.

Bread for the World encourages the Subcommittee to report out favorably and as soon as possible U.S. international emergency grain reserve legislation that embodies these essentials.

STATEMENT OF RICHARD W. GOLDBERG, PRESIDENT, NATIONAL GRAIN AND FEED ASSOCIATION

Mr. Chairman and members of the Subcommittee: My name is Richard W. Goldberg. I am President of the Goldberg Feed and Grain Company, West Fargo, North Dakota. I am submitting this statement on behalf of the National Grain and Feed Association as Chairman of the Association's Agricultural Policy Committee.

The National Grain and Feed Association appreciates the opportunity to present its views on S. 2869, International Wheat Reserve Act of 1978.

The National Grain and Feed Association commends Secretary Bergland in his efforts to improve the market economy for farmers. Establishing an international emergency reserve program is another program tool in his efforts to strengthen the farm economy.

The National Grain and Feed Association suggests to the members of this committee that a major flaw exists in the bill. The flaw is the provision granting the Secretary of Agriculture authority to purchase directly from producers wheat for the International Emergency Wheat Reserve.

The National Grain and Feed Association strongly recommends that the Secretary of Agriculture utilize the usual and customary channels, facilities and arrangements of trade and commerce required by Section 5 of the Commodity Credit Corporation (CCC) Charter Act in obtaining its wheat reserve. Congress reconfirmed in Section 402 of the Food and Agriculture Act of 1962 its longstanding policy of favoring the use by governmental agencies of the usual and customary channels, facilities, and arrangements of trade and commerce.

The National Association's recommendation that CCC utilize the usual and customary channels, facilities and arrangements of trade and commerce was communicated by telegram to Secretary Bob Bergland and other officials of the Commodity Credit Corporation on April 4, 1978. The telegram was based upon the motion of the Board of Directors of the National Association made the previous week at its meeting at the association's annual convention.

Secretary Bob Bergland responded to the National's telegram by letter on April 18th. He stated:

"The various reserve programs present procurement, storage, and logistical requirements of unprecedented magnitude. Consequently, CCC will need the cooperation, adaptability and ingenuity of your association. You can be assured that CCC's mandate to use trade facilities, etc., to the maximum extent practicable will be kept in mind at all times during the planning and operational phases of the reserve program."

The National recommends that CCC should make its purchases from the marketing system. The market system provides for interaction of the forces of domestic and world supply and demand. The market operates in a way that lends itself to competitive buying. The producer receives truer market signals in the competitive system where price reflects the interaction of all buyers and sellers in

the market. The benefits to a producer occur when the buying is carried out in a competitive manner even when the government is involved in buying.

The other logistical features of the marketing system provide the producer and CCC additional benefits. The grain is already in position and available for CCC purposes and CCC could buy on the competitive market. If grain is bought directly from producers, the grain could not be delivered to country elevators because of the tight storage situation created by grain carryover and the transportation crises. CCC could request a local elevator operator to handle the grain CCC purchases, but the grain could not be shipped out with dispatch since rail equipment is limited or not available. Additionally, elevator operators have already made contract commitments to load out and transport grain now in their elevators. CCC should not negate these commercial contracts. If CCC negates or cuts across the commercial contractual arrangements, CCC action would be disruptive and create chaos in grain marketing.

Grain elevator operators are currently being hindered greatly in marketing grain effectively by a severe lack of rail transportation equipment. Not only have elevator managers been storing high levels of grain, they have not been able to ship grain in order to market their grain in an orderly manner. It would be difficult to store additional grain that CCC would purchase directly from producers.

CCC has made use of the excellent and competitive grain marketing system in the U.S. The proposed purchases of wheat from farmers would be a precedent that is unacceptable. The National Grain and Feed Association is greatly concerned that direct wheat purchases from producers by CCC through county ASCS offices will be disruptive to the grain marketing system and not an effective way for CCC to conduct the operations of its International Emergency Wheat Reserve (IEWR) Program.

CCC has usually followed the normal marketing practice of storing grain as near as possible to the area of production. This action by CCC provides it the greatest amount of flexibility in marketing or transporting its grain in the most efficient manner. This procedure also avoids disrupting the local market when CCC purchases could deplete the reservoir of grain needed for local uses. A shortage from this depletion of wheat for local needs would require the expensive movement of shipping grain back into the local area against the normal flow of grain.

The success of any program established by CCC in grain purchases and sales, is dependent upon CCC recognizing the normal flow of grain in the marketing system. Owners and operators of grain elevators in the country and at terminal locations provide marketing services for all those who are selling and buying grain. Elevator owners have invested capital to provide the facilities to receive, handle, store, condition and load out the grain produced by U.S. producers. The elevator managers carry out managerial responsibilities of financing, storing, warehousing and marketing the grain sold to him or entrusted to him.

CCC needs to use the existing marketing facilities to make its programs operate successfully, including the proposed International Emergency Wheat Reserve. Purchases of wheat that have already entered the marketing system and are located in grain elevator facilities would be the most efficient and effective way for CCC to obtain wheat for its International Emergency Wheat Reserve. Purchases of wheat from the market would help prevent chaotic conditions in the marketing of wheat and would not be disruptive to grain elevator operations. It is to CCC's benefit, that it does not usurp the elevator operator's market so that the effective marketing system already in place can continue to serve those buying and selling U.S. grain, including the Commodity Credit Corporation.

The purchase of grain by CCC from producers would usurp the elevator operator's market. The operator is managing private or cooperative investments that were made based upon normal and expected marketing conditions. If CCC actions usurp the operator's normal marketing function, its action is a disincentive to private decision-making in marketing and investments.

In conclusion, the National Grain and Feed Association strongly recommends that the legislation permitting the Secretary of Agriculture to establish a wheat reserve for international emergency needs specify that the grain shall be acquired only through purchases in the market or by designation of wheat acquired by CCC under its price support program.



