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GENERAL FARM AND FOOD LEGISLATION

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HEARINGS BEFORE THE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE NINETY-FIFTH CONGRESS

FIRST SESSION

ON

S. 203

A BILL TO AMEND AND EXTEND THE AGRICULTURAL ACT OF 1970

AND

S. 275

A BILL TO PROVIDE PRICE AND INCOME PROTECTION FOR FARMERS AND ASSURE CONSUMERS OF AN ABUNDANCE OF FOOD AND FIBER AT REASONABLE PRICES, AND FOR OTHER PURPOSES

FEBRUARY 26, 1977

SIOUX FALLS, S. DAK.

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Committee on Agriculture, Nutrition, and Forestry



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GENERAL FARM AND FOOD LEGISLATION

SATURDAY, FEBRUARY 26, 1977

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Sioux Falls, S. Dak.

The committee met, pursuant to notice, in the Howard Johnson Motor Inn, at 10 a.m., Hon. George McGovern presiding.

Present: Senator McGovern.

Also present: Representative Abdnor.

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

Senator MCGOVERN. I want first of all to welcome my fellow South Dakotans to these hearings in which we will be centering our attention on the farm legislation that is now pending in the U.S. Senate and in the Congress. We have before us at the present time legislation which if enacted into law will provide the basic agricultural program through 1982. It is a 5-year bill prepared by the Senate Agriculture Committee staff under the orders of our chairman, Senator Talmadge of Georgia, and that bill was introduced shortly after the Congress went into session in January.* We are using it in the hearings that have been in progress since February 22 and which continue through late March, not with any thought that this is the final form of the legislation, but simply as a working model on which we can take testimony, receive criticism, receive suggestions for improvement, and then hopefully fashion a successful piece of legislation which can be sent to the floor of the Senate for action.

I declined to cosponsor this so-called committee bill because while I thought it had a number of worthwhile features and does represent a significant improvement over the existing farm program, it still has two or three basic deficiencies that prompted me not to cosponsor.

I don't think it sets the support levels at high enough levels. I don't think it sets the loan levels high enough. It says nothing at all about the reform of our existing disaster and drought relief benefit programs. It makes no mention at all of any improvement in the crop insurance program or any extensive expansion of that program.

So I have taken a somewhat different alternative. I have introduced an emergency farm bill which would relate only to the 1977 year. I have introduced with Senator Humphrey a second piece of

*See p. 3 for a reprint of S. 203, introduced by Senator Bellmon, and p. 25 for a reprint of S. 275, introduced by Senator Talmadge.

legislation that fundamentally improves our drought relief and disaster relief programs. I don't want to lead anyone to think that I am confident that these two measures of mine will be enacted into law in their present form, but they do raise the target and the vision of Congress somewhat to the direction which I think we ought to be moving and hopefully they will provide one more piece of leverage that we can use to strengthen whatever bill the committee finally reports.

But the purpose of this hearing today is to spend a couple of hours getting the views of people who are especially concerned about agriculture in our State. There are a dozen such hearings which will be taking place in the home States of the members of the agricultural committees over the next few weeks. We will be keeping a transcript of everything that is said here this morning. The witnesses will have the option either of reading their statements or of submitting the statement as it is prepared and then summarizing it. If a witness has a long statement I would suggest you take the second course. Submit the full statement to the record and then simply give us the highlights in an abbreviated form and we will see that your full statement is made available to the members of the committee.

[S. 203 and S. 275 follow:]

95TH CONGRESS
1ST SESSION

S. 203

IN THE SENATE OF THE UNITED STATES

JANUARY 12 (legislative day, JANUARY 10), 1977

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

A BILL

To amend and extend the Agricultural Act of 1970.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 AMENDMENTS TO THE AGRICULTURAL ACT OF 1970

4 SEC. 3. The Agricultural Act of 1970 is amended as
5 follows:

6 (1) Section 101 (1), as amended by paragraph (1) of
7 the first section of the Agriculture and Consumer Protection
8 Act of 1973, is amended by striking out "1977" and in-
9 serting in lieu thereof "1981"; and by striking out "\$20,-
10 000" and inserting in lieu thereof "\$30,000".

11 (2) Section 201, as amended by paragraph (2) of the

1 first section of the Agriculture and Consumer Protection
2 Act of 1973, is amended by—

3 (A) striking out “1977” and “1980” in subsection
4 (e) and inserting in lieu thereof “1981” and “1984”,
5 respectively; and

6 (B) adding at the end of such section a new sub-
7 section as follows:

8 “(g) Section 201 of the Agricultural Act of 1949 is
9 amended by adding at the end thereof a new subsection as
10 follows:

11 “(d) Notwithstanding the foregoing provisions of this
12 section, effective for the period beginning with the date of
13 enactment of this subsection and ending on March 31, 1981,
14 the support price of milk shall be established at no less than
15 80 per centum of the parity price therefor, on the date of
16 enactment, and the support price shall be adjusted there-
17 after by the Secretary at the beginning of each quarter,
18 beginning with the second quarter of the calendar year 1977,
19 to reflect any estimated change during the immediately pre-
20 ceding quarter in the production costs of dairy farmers. Such
21 support prices shall be announced by the Secretary not
22 more than thirty, nor less than twenty, days prior to the
23 beginning of each quarter.’”

24 (3) Section 203, as amended by paragraph (4) of the
25 first section of the Agriculture and Consumer Protection Act

1 of 1973, is amended by striking out "1977" and inserting in
2 lieu thereof "1981".

3 (4) Section 301, as amended by paragraph (7) of the
4 first section of the Agriculture and Consumer Protection Act
5 of 1973, is amended by striking out "1977" each place it
6 occurs therein and inserting in lieu thereof "1981".

7 (5) Effective beginning with the 1978 crop of wheat,
8 section 401, as amended by paragraph (8) of the first sec-
9 tion of the Agriculture and Consumer Protection Act of
10 1973, is amended by striking out "1977" and inserting in
11 lieu thereof "1981" and section 107 of the Agricultural Act
12 of 1949, as it appears in such section 401, is amended by—

13 (A) striking out "\$1.37 per bushel" in section 107
14 (a) and inserting in lieu thereof "\$2.25 per bushel, plus
15 the amount per bushel necessary to cover storage, in-
16 terest, transportation, and other handling costs";

17 (B) amending the first sentence of section 107
18 (c) to read as follows: "Payments shall be made for
19 each crop of wheat to the producers on each farm in an
20 amount determined by multiplying (1) the amount by
21 which the higher of—

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

1 “(B) the loan level determined under sub-
2 section (a) for such crop
3 is less than the established price of \$3.10 per bushel in
4 the case of the 1978 crop, and \$3.10 per bushel in the
5 case of the 1979, 1980, and 1981 crops, adjusted each
6 such year to reflect any changes in the production costs
7 of farmers after the calendar year 1977, times in each
8 case (2) the allotment for the farm for such crop, times
9 (3) the projected yield established for the farm with
10 such adjustments as the Secretary determines necessary
11 to provide a fair and equitable yield.”; and

12 (C) amending subsection (c) by adding at the
13 end thereof the following: “Loans made under authority
14 of this subsection shall be made for any period, not
15 exceeding five years, specified by the producer-borrower
16 and shall bear interest at a rate not greater than 5 per
17 centum per annum. The Secretary shall pay an amount
18 equal to 50 per centum of the storage costs incurred by
19 the producer for the storage of wheat under the price
20 support program provided for in this subsection.”.

21 (6) (A) Section 402, as amended by paragraph (9)
22 of the first section of the Agriculture and Consumer Protec-
23 tion Act of 1973, is amended by striking out “1977” each
24 time it appears in such section and in the amendments made
25 to section 379b of the Agricultural Adjustment Act of 1938,

1 other than in the third sentence of such section 379b (c) (1),
2 and inserting in lieu thereof "1981".

3 (B) Such section 402 is further amended by inserting
4 after subparagraph (vii) of subsection (b) (B) a new sub-
5 paragraph as follows:

6 " (viii) The fourth sentence is redesignated as
7 subparagraph (J) and the first three sentences are
8 amended to read as follows:

9 " (A) Whenever the Secretary determines with respect
10 to any crop of wheat that the carryover stocks of wheat will
11 be of such quantity as to seriously depress the price of wheat
12 and will result in a disincentive to produce such commodity,
13 he shall give producers the option of either (i) setting aside
14 and devoting to approved conservation uses an acreage of
15 cropland equal to such percentage of the wheat allotment for
16 the farm as may be specified by the Secretary, plus, if re-
17 quired by the Secretary, the acreage of cropland on the farm
18 devoted in the preceding years to soil conserving uses, as
19 determined by the Secretary, or (ii) planting for harvest the
20 full wheat acreage allotment for the farm subject to an agree-
21 ment with the Secretary that a percentage of the wheat crop
22 (based on farm yield) shall be stored on the farm under seal
23 or in a bonded warehouse and be subject to the other provi-
24 sions of this paragraph. Whenever the Secretary gives pro-
25 ducers an option under this subparagraph, then as a condi-

1 tion of eligibility for loans, purchases, and payments author-
2 ized by section 107 (c) of the Agricultural Act of 1949, the
3 producers on the farm must elect to participate under clause
4 (i) and (ii) of this subparagraph and comply with the terms
5 of such election.

6 “(B) In the case of producers who elect the option
7 under subparagraph (A) (i), the Secretary is authorized to
8 limit the acreage planted to wheat on the farm to a percent-
9 age of the farm acreage allotment.

10 “(C) Notwithstanding any other provision of this Act,
11 the amount of any loan which may be made by the Secre-
12 tary on any portion of the wheat crop stored pursuant to an
13 election made under subparagraph (A) (ii) shall be \$2.25
14 per bushel, plus the amount per bushel necessary to cover
15 storage, interest, transportation, and other handling costs.
16 Any such loan shall be a nonrecourse loan, shall be for a
17 period of five years, renewable thereafter on an annual basis,
18 and shall bear interest at a rate of 5 per centum per annum.

19 “(D) The Secretary shall pay an amount equal to 50
20 per centum of the storage costs incurred by any producer
21 when such costs are incurred by such producer pursuant to
22 an election made by him under subparagraph (A) (ii); and
23 the Secretary is authorized to make such advances to any
24 producer as may be necessary to assist such producer to
25 meet such producer's share of storage cost until such time as

1 the stored commodities are sold by such producer. In any
2 case in which a producer wishes to construct facilities for
3 the storage of any wheat grown on the farm in accordance
4 with an agreement entered into with the Secretary after an
5 election under subparagraph (A) (ii), the Secretary is
6 authorized to guarantee a loan made to the producer by a
7 commercial lending institution for such purpose. Such loans
8 shall be guaranteed with respect to 90 per centum of the
9 total construction cost of any such facility, including plans
10 and site preparation. The term of any such loan shall be any
11 period, not in excess of 10 years, specified by the borrower.
12 The Secretary shall pay any interest on any such loan in
13 excess of 5 per centum per annum. The size of the facility
14 for which a loan may be guaranteed under this subpara-
15 graph shall be based upon the amount of space required to
16 store the average quantity of wheat produced by the bor-
17 rower during the two preceding crop years. The loan guar-
18 anty program provided for herein shall be administered by
19 the Secretary through the facilities of the Commodity Credit
20 Corporation.

21 “(E) Wheat stored under an election made pursuant to
22 subparagraph (A) (ii) may be rotated by the producer
23 to avoid spoilage and deterioration under such conditions
24 as may be prescribed by the Secretary.

25 “(F) Such wheat may be removed from storage and

1 sold at any time, at the option of the producer, that the
2 price for wheat attains a price equal to 150 per centum
3 of the loan rate on such wheat. The producer shall repay
4 the Secretary out of the proceeds of any such sale the
5 amount of the loan, interest thereon, and the amount of
6 advances made to the producer to meet storage costs.

7 “(G) At any time the market price for wheat exceeds
8 the loan level of wheat in storage by more than 200 per
9 centum, the Secretary may require producers to pay the loan
10 on such wheat, including interest, and the amount of any
11 advances made by the Secretary for the payment of stor-
12 age costs. If the Secretary determines that all such loans
13 should not be called simultaneously, he shall specify which
14 loans are to be called, taking into consideration the length
15 of time any such loan has been outstanding.

16 “(H) Notwithstanding any other provision of law,
17 whenever the equivalent of three hundred and fifty million
18 bushels of wheat is under storage pursuant to elections
19 made by producers under subparagraph (A) (ii), no pro-
20 hibition or limitation may be imposed on the export of wheat.
21 The foregoing provision shall not apply in the case of ex-
22 ports of wheat to any foreign country if the President has
23 prohibited the export of all agricultural commodities to such
24 country because of national security or foreign relations
25 reasons.

1 “(I) Payments provided under section 107 (c) of the
2 Agricultural Act of 1949 shall be made available to produc-
3 ers on wheat placed in storage pursuant to an election under
4 subparagraph (A) (ii).”.

5 (7) Section 403 (b), as amended by paragraph (10) of
6 the first sentence of the Agriculture and Consumer Protection
7 Act of 1973, is amended by striking out “June 30, 1978”
8 and inserting in lieu thereof “June 30, 1982”.

9 (8) Section 404, as amended by paragraph (11) of the
10 first section of the Agriculture and Consumer Protection Act
11 of 1973, is amended by striking out “1977” wherever it
12 appears therein and inserting “1981”.

13 (9) Section 405, as amended by paragraph (12) of the
14 first section of the Agriculture and Consumer Protection Act
15 of 1973, is amended by striking out “1977” each time it ap-
16 pears therein and inserting in lieu thereof “1981”.

17 (10) Section 406, as amended by paragraph (13) of
18 the first section of the Agriculture and Consumer Protection
19 Act of 1973, is amended by striking out “1977” and insert-
20 ing in lieu thereof “1981”.

21 (11) Section 408, as amended by paragraph (15) of
22 the first section of the Agriculture and Consumer Protection
23 Act of 1973, is amended by striking out “1977” and insert-
24 ing in lieu thereof “1981”.

25 (12) Section 409, as amended by paragraph (16) of

1 the first section of the Agriculture and Consumer Protection
2 Act of 1973, is amended by striking out "1977" and insert-
3 ing in lieu thereof "1981".

4 (13) Section 410 as amended by paragraph (17) of the
5 first section of the Agriculture and Consumer Protection Act
6 of 1973, is amended by striking out "1977" and inserting
7 in lieu thereof "1981".

8 (14) Effective only with respect to the 1978 through
9 1981 crops of feed grains, section 501, as amended by para-
10 graph (18) of the first section of the Agriculture and Con-
11 sumer Protection Act of 1973, is amended by—

12 (A) striking out "1977" in the language preceding
13 the first colon and inserting in lieu thereof "1981";

14 (B) striking out "\$1.10 per bushel" in section 105
15 (a) (1) of the Agricultural Act of 1949 (as it appears
16 in such section 501) and inserting in lieu thereof "\$1.87
17 per bushel, plus the amount per bushel necessary to
18 cover storage, interest, transportation, and other han-
19 dling costs";

20 (C) striking out the second sentence of section 105

21 (b) (1) of the Agricultural Act of 1949 (as it appears
22 in such section 501) and inserting in lieu thereof the fol-
23 lowing: "The payment rate for corn shall be the amount
24 by which the higher of—

25 "(A) the national weighted average market

1 price received by farmers during the first five months
2 of the marketing year for such crop, as determined
3 by the Secretary, or

4 " (B) the loan level determined under subsection
5 tion (a) for such crop
6 is less than the established price of \$2.25 per bushel in
7 the case of the 1978 crop, and \$2.25 per bushel in the
8 case of the 1979, 1980, and 1981 crops, adjusted each
9 such year to reflect any changes in the production costs
10 of farmers after the calendar year 1977." ;

11 (D) by adding at the end of section 105 (b) (1)
12 of the Agricultural Act of 1949 (as it appears in such
13 section 501) the following: "Loans made under au-
14 thority of this subsection shall be made for any period,
15 not exceeding five years, specified by the producer-
16 borrower and shall bear interest at a rate not greater
17 than 5 per centum per annum. The Secretary shall pay
18 an amount equal to 50 per centum of the storage costs
19 incurred by the producer for the storage of feed grains
20 under the price support program provided for under this
21 subsection." ;

22 (E) striking out "1977" in the fifth sentence of
23 section 105 (c) (1) of the Agricultural Act of 1949 (as
24 such section appears in such section 501) ; redesignat-
25 ing the fourth and fifth sentences of such section 105

1 (c) (1) as subparagraph (J); redesignating the sixth
2 sentence of such section 105(c) (1) as subparagraph
3 (K); and striking out the first three sentences and in-
4 serting in lieu thereof the following:

5 “(A) Whenever the Secretary determines with respect
6 to any crop of feed grains that the carryover stocks of feed
7 grains will be of such a quantity as to seriously depress
8 the price of feed grains and will result in a disincentive to
9 produce such commodities, he shall give producers the option
10 of either (i) setting aside and devoting to approved con-
11 servation uses an acreage of cropland equal to such per-
12 centage of the feed grain allotment for the farm as may be
13 specified by the Secretary, plus, if required by the Secretary,
14 the acreage of cropland on the farm devoted in preceding
15 years to soil conserving uses, as determined by the Secre-
16 tary, or (ii) planting for harvest the full feed grain acreage
17 allotment for the farm subject to an agreement with the
18 Secretary that a percentage of the feed grain crop (based
19 on farm yield) shall be stored on the farm under seal or in
20 a bonded warehouse and be subject to the other provisions
21 of this paragraph. Whenever the Secretary gives producers
22 an option under this subparagraph, then as a condition of
23 eligibility for loans, purchases, and payments on corn, grain
24 sorghums, and if designated by the Secretary, barley, re-
25 spectively, the producers on the farm must elect to partici-

1 pate under clause (i) or (ii) of this subparagraph and
2 comply with the terms of such election.

3 “(B) In the case of producers who elect the option
4 under subparagraph (A) (i), the Secretary is authorized
5 to limit the acreage planted to feed grains on the farm to
6 a percentage of the farm acreage allotment.

7 “(C) Notwithstanding any other provision of this Act,
8 the amount of any loan which may be made by the Secre-
9 tary on any portion of the feed grain crop stored pursuant
10 to an election made under subparagraph (A) (ii) shall be
11 \$1.87 a bushel for corn (and the equivalent thereof in the
12 case of other feed grains), plus the amount per bushel nec-
13 essary to cover storage, interest, transportation, and other
14 handling costs. Any such loan shall be a nonrecourse loan,
15 shall be for a period of five years, renewable thereafter on
16 an annual basis, and shall bear interest at a rate of 5 per
17 centum per annum.

18 “(D) The Secretary shall pay an amount equal to 50
19 per centum of the storage costs incurred by any producer
20 when such costs are incurred by such producer pursuant to
21 an election made by him under subparagraph (A) (ii); and
22 the Secretary is authorized to make such advances to any
23 producer as may be necessary to assist such producer to
24 meet such producer's share of storage cost until such time as
25 the stored commodities are sold by such producer. In any

1 case in which a producer wishes to construct facilities for
2 the storage of feed grains on the farm in accordance with
3 an agreement entered into with the Secretary after an
4 election under subparagraph (A) (ii), the Secretary is
5 authorized to guarantee a loan made to the producer by a
6 commercial lending institution for such purpose. Such loans
7 shall be guaranteed with respect to 90 per centum of the
8 total construction cost of any such facility, including plans
9 and site preparation. The term of any such loan shall be any
10 period, not in excess of ten years, specified by the borrower.
11 The Secretary shall pay any interest on any such loan in
12 excess of 5 per centum per annum. The size of the facility
13 for which a loan may be guaranteed under this subparagraph
14 shall be based upon the amount of space required to store
15 the average quantity of the feed grain concerned produced by
16 the borrower during the two preceding crop years. The loan
17 guaranty program provided for herein shall be administered
18 by the Secretary through the facilities of the Commodity
19 Credit Corporation.

20 “(E) Feed grains stored under an election made pur-
21 suant to subparagraph (A) (ii) may be rotated by the pro-
22 ducer to avoid spoilage and deterioration under such condi-
23 tions as may be prescribed by the Secretary.

24 “(F) Such feed grains may be removed from storage
25 and sold at any time, at the option of the producer, that the

1 price for such feed grains attains a price equal to 150 per
2 centum of the loan rate on such grain. The producer shall
3 repay the Secretary out of the proceeds of any such sale the
4 amount of the loan, interest thereon, and the amount of
5 advances made to the producer to meet storage costs.

6 “(G) At any time the market price for feed grains
7 exceeds the loan level of feed grains in storage by more than
8 200 per centum, the Secretary may require producers to
9 pay the loan on such grain, including interest, and the
10 amount of any advances made by the Secretary for the pay-
11 ment of storage costs. If the Secretary determines that all
12 such loans should not be called simultaneously, he shall
13 specify which loans are to be called, taking into considera-
14 tion the length of time any such loan has been outstanding.

15 “(H) Notwithstanding any other provision of law,
16 whenever the equivalent of five hundred million bushels of
17 any feed grain is under storage pursuant to elections
18 made by producers under subparagraph (A) (ii), no prohi-
19 bition or limitation may be imposed on the export of such
20 feed grain. The foregoing provision shall not apply in the
21 case of exports of feed grains to any foreign country if the
22 President has prohibited the export of all agricultural com-
23 modities to such country because of national security or
24 foreign relations reasons.

25 “(I) Payments provided under subsection (b) of this

1 section shall be made available to producers on feed grains
2 placed in storage pursuant to an election under subparagraph
3 (A) (ii).”, and

4 (F) striking out “1977” in the third sentence of
5 section 105 (c) (3) of the Agricultural Act of 1949
6 (as it appears in such section 501) and inserting
7 in lieu thereof “1981”.

8 (15) Section 601, as amended by paragraph (19) of
9 the first section of the Agriculture and Consumer Protection
10 Act of 1973, is amended by—

11 (A) striking out “1977” wherever it appears in the
12 amendments made by such section and inserting in lieu
13 thereof “1981”; and

14 (B) striking out “1976” in the first sentence of sec-
15 tion 342a of the Agricultural Adjustment Act of 1938
16 (as it appears in such section 601) and inserting in lieu
17 thereof “1980”.

18 (16) Section 602, as amended by paragraph (20) of
19 the first section of the Agriculture and Consumer Protection
20 Act of 1973, is amended by—

21 (A) striking out “1977” wherever it appears in the
22 amendments made by such section, except in the amend-
23 ment to section 103 (e) (2) of the Agricultural Act of
24 1949, and inserting in lieu thereof “1981”;

25 (B) striking out the first sentence of clause (2) of

1 section 103 (e) of the Agricultural Act of 1949 (as it
2 appears in such section 602) and inserting in lieu there-
3 of the following: "Payments shall be made for each crop
4 of cotton to the producers on each farm at a rate equal
5 to the amount by which is the higher of—

6 " (1) the average market price received by
7 farmers for upland cotton during the calendar year
8 which includes the first five months of the market-
9 ing year for such crop, as determined by the
10 Secretary, or

11 " (2) the loan level of 38 cents per pound for
12 upland cotton, plus the amount per pound neces-
13 sary to cover storage, interests, transportation, and
14 other handling costs

15 is less than the established price of 48 cents per pound
16 in the case of the 1978 crop, and 48 cents per pound in
17 the case of the 1979, 1980, and 1981 crops, adjusted
18 each such year to reflect any changes in the production
19 costs of farmers after the calendar year 1977."; and

20 (C) adding at the end of paragraph (2) of sec-
21 tion 103 (e) of the Agricultural Act of 1949 (as it
22 appears in such section 602) the following: "Loans
23 made under authority of this subsection shall be made
24 for any period, not exceeding five years, specified by the
25 producer-borrower and shall bear interest at the rate of

1 ducers loans and purchases on the 1978 through 1981 crops
2 of soybeans at such level as reflects the historical average
3 relationship of soybean support levels to corn support levels
4 during the immediately preceding three years.”.

5 FOOD RESERVE

6 SEC. 5. (a) The Secretary of Agriculture shall establish
7 an emergency human nutrition food reserve (hereinafter in
8 this section referred to as the “reserve”) which shall be
9 available to help meet emergency food conditions in any area
10 of the United States or in any foreign country which suffers
11 a severe loss of its food supply as the result of a natural
12 disaster.

13 (b) The Secretary is authorized to acquire for the
14 reserve any amount of grain not in excess of the equivalent
15 of one hundred million bushels and to process such grain into
16 balanced food supplements.

17 (c) The Secretary shall provide for the periodic rota-
18 tion of supplements in the reserve to avoid spoilage and
19 deterioration thereof. Any quantity of food supplements re-
20 moved from the reserve for rotation purposes shall be
21 promptly replaced with an equivalent quantity purchased on
22 the open market.

23 (d) Except as provided in subsection (c), supplements
24 contained in the reserve may not be sold through normal
25 commercial channels in the United States.

1 (e) Food grain supplements contained in the reserve
2 shall be in addition to any other reserve stocks of agricul-
3 tural commodities provided for by law.

4 FOREIGN PARTICIPATION IN RESERVE PROGRAM

5 SEC. 6. (a) In order that foreign countries which are
6 traditional buyers of grain from the United States and other
7 foreign countries may insure themselves of a dependable
8 and stable supply of grain, and in order to reduce the cost
9 to producers and consumers in the United States of main-
10 taining reserve supplies of grain, the Secretary of Agriculture
11 is authorized, in accordance with such rules and regulations
12 as he may prescribe, to permit foreign countries to partici-
13 pate in the program providing for the storage of feed grains
14 under section 105 (c) of the Agricultural Adjustment Act of
15 1949, as amended by this Act, and the storage of wheat
16 under section 379b (c) of the Agricultural Adjustment Act
17 of 1938, as amended by this Act. A foreign country
18 may participate in any such program by purchasing the
19 commodity concerned and paying the required storage and
20 other handling costs involved. Any commodities so stored
21 shall not be subject to any embargo placed on the export
22 market by the Secretary. The Secretary shall, in permitting
23 any foreign country to participate in such program, impose
24 such reasonable terms and conditions as he determines neces-
25 sary to prevent undue disruption of the normal channels of

1 trade in the commodities concerned and to protect producers
2 and consumers in the United States against undue price fluctu-
3 tations and increases.

4 (b) The Secretary of Agriculture shall submit a report
5 to the Committee on Agriculture and Forestry of the Senate
6 and to the Committee on Agriculture of the House of Rep-
7 resentatives within ninety days after the date of enactment
8 of this Act indicating the action he has taken to implement
9 this section together with any recommendations for addi-
10 tional legislative action necessary to improve the program.

11 AUTHORIZATION FOR APPROPRIATIONS

12 SEC. 7. There are authorized to be appropriated such
13 sums as may be necessary to carry out the provisions of this
14 Act.

15 CROP LOANS FOR WHEAT, FEED GRAINS, AND COTTON

16 EXCLUDED FROM BUDGET TOTALS

17 SEC. 8. Loans made by the Secretary of Agriculture in
18 carrying out the feed grain program provided under section
19 105 of the Agricultural Act of 1949, as amended by the
20 Agriculture and Consumer Protection Act of 1973 and this
21 Act, in carrying out the wheat program provided for in
22 section 107 of the Agricultural Act of 1949, as amended by
23 the Agriculture and Consumer Protection Act of 1973 and
24 this Act, and in carrying out the cotton program under sec-
25 tion 602 of the Agricultural Act of 1949, as amended by the

1 Agriculture and Consumer Protection Act of 1973 and this
2 Act, and the repayment of such loans, shall not be included
3 in the totals of the budget of the United States Government
4 and shall be exempt from any general limitation imposed by
5 statute on expenditures and net lending (budget outlays) of
6 the United States.

95TH CONGRESS
1ST SESSION

S. 275

IN THE SENATE OF THE UNITED STATES

JANUARY 18, 1977

Mr. TALMADGE (for himself, Mr. ALLEN, Mr. DOLE, Mr. DOMENICI, Mr. EASTLAND, Mr. HELMS, Mr. HUDDLESTON, and Mr. STONE) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry.

A BILL

To provide price and income protection for farmers and assure consumers of an abundance of food and fiber at reasonable prices, 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 "Food and Agriculture
4 Act of 1977".

5 TITLE I—PAYMENT LIMITATION FOR WHEAT,
6 FEED GRAINS, AND UPLAND COTTON

7 SEC. 101. Section 101(1) of the Agricultural Act of
8 1970, as amended, is amended by striking out "1974
9 through 1977" and inserting in lieu thereof "1974 through
10 1982".

2

1 TITLE II—DAIRY

2 DAIRY BASE PLANS

3 SEC. 201. Section 201 (e) of the Agricultural Act of
4 1970, as amended, is amended by striking out "1977" and
5 inserting in lieu thereof "1982", and by striking out "1980"
6 and inserting in lieu thereof "1985".

7 TRANSFER OF DAIRY PRODUCTS TO THE
8 MILITARY AND VETERANS HOSPITALS

9 SEC. 202. Section 203 of the Agricultural Act of 1970, as
10 amended, is amended by striking out "1977" and inserting
11 in lieu thereof "1982".

12 DAIRY INDEMNITY PROGRAM

13 SEC. 203. Section 204 of the Agricultural Act of 1970,
14 as amended, is amended by striking out "June 30, 1977"
15 and inserting in lieu thereof "September 30, 1982".

16 PRODUCER HANDLERS

17 SEC. 204. Section 206 of the Agricultural Act of 1970,
18 as amended, is amended by inserting after "Agriculture
19 and Consumer Protection Act of 1973" the following: "and
20 the Food and Agriculture Act of 1977".

21 TITLE III—WOOL PROGRAM

22 SEC. 301. Section 301 of the Agricultural Act of 1970,
23 as amended, is amended by striking out "1977" each place
24 it occurs and inserting in lieu thereof "1982".

1 TITLE IV—WHEAT PROGRAM

2 LOAN RATE AND TARGET PRICE

3 SEC. 401. Effective beginning with the 1978 crop, sec-
4 tion 401 of the Agricultural Act of 1970, as amended, is
5 amended by striking out "1971 through 1977" and inserting
6 in lieu thereof "1971 through 1982", and section 107 of the
7 Agricultural Act of 1949, as it appears therein, is amended
8 to read as follows:

9 "SEC. 107. Notwithstanding any other provision of
10 law—

11 "(a) Loans and purchases on each crop of wheat shall
12 be made available at not less than 75 per centum of the cost
13 of production per bushel, except that if the loan rate so
14 calculated is higher than the estimated average world price
15 for wheat for the marketing year for which the loan deter-
16 mination is made, the Secretary is authorized to adjust the
17 loan rate for wheat to not less than 90 per centum of the
18 estimated average world price.

19 "(b) If a set-aside program is in effect for any crop of
20 wheat under section 379b (c) of the Agricultural Adjust-
21 ment Act of 1938, as amended, payments, loans and pur-
22 chases shall be made available on such crop only to producers
23 who comply with the provisions of such program.

24 "(c) Payments shall be made for each crop of wheat

1 to the producers on each farm in an amount determined
2 by multiplying (i) the amount by which the higher of—
3 “(1) the national weighted average market price
4 received by farmers during the first five months of the
5 marketing year for such crop, as determined by the
6 Secretary, or
7 “(2) the loan level determined under subsection
8 (a) for such crop
9 is less than the cost of production per bushel, times in each
10 case (ii) the allotment for the farm for such crop, times (iii)
11 the projected yield established for the farm with such adjust-
12 ments as the Secretary determines necessary to provide a fair
13 and equitable yield. The cost of production per bushel for
14 the 1978 crop of wheat is determined to be \$2.91. For each
15 of the 1979 through 1982 crops, the cost of production shall
16 be determined by the Secretary in accordance with section
17 411 of the Agricultural Act of 1970. If the Secretary deter-
18 mines that the producers are prevented from planting any
19 portion of the farm acreage allotment to wheat or other
20 nonconserving crop, because of drought, flood, or other nat-
21 ural disaster or condition beyond the control of the pro-
22 ducer, the rate of payment on such portion shall be the
23 larger of (A) the foregoing rate, or (B) one-third of the
24 cost of production. If the Secretary determines that, be-
25 cause of such a disaster or condition, the total quantity of

1 wheat (or of cotton, corn, grain sorghums, or barley planted
 2 in lieu of wheat) which the producers are able to harvest on
 3 any farm is less than $66\frac{2}{3}$ per centum of the farm acreage
 4 allotment times the projected yield of wheat (or of cotton,
 5 corn, grain sorghums, or barley planted in lieu of wheat)
 6 for the farm, the rate of payment for the deficiency in pro-
 7 duction below 100 per centum shall be the larger of (A) the
 8 foregoing rate, or (B) one-third of the cost of production.
 9 The Secretary shall provide for the sharing of payments
 10 made under this subsection for any farm among the pro-
 11 ducers on the farm on a fair and equitable basis.”.

12 ALLOTMENT AND SET-ASIDE

13 SEC. 402. Section 402 (b) of the Agricultural Act of
 14 1970, as amended, is amended by—

15 (a) striking out “1974 through 1977” each place
 16 it occurs and inserting in lieu thereof “1974 through
 17 1982”; and

18 (b) striking out “1971 through 1977” and insert-
 19 ing in lieu thereof “1971 through 1982”.

20 NONAPPLICABILITY OF PROCESSOR CERTIFICATE

21 REQUIREMENT

22 SEC. 403. Section 403 (b) of the Agricultural Act of
 23 1970, as amended, is amended by striking out “July 1,
 24 1973 through June 30, 1978” and inserting in lieu thereof
 25 “July 1, 1973, through June 30, 1983”.

1 COMMODITY CREDIT CORPORATION SALES PRICE

2 RESTRICTIONS FOR WHEAT AND FEED GRAINS

3 SEC. 408. Section 409 of the Agricultural Act of 1970,
4 as amended, is amended by striking out "1971 through
5 1977" and inserting in lieu thereof "1971 through 1982".

6 SET-ASIDE ON SUMMER FALLOW FARMS

7 SEC. 409. Section 410 of the Agricultural Act of 1970,
8 as amended, is amended by striking out "1971 through
9 1977" and inserting in lieu thereof "1971 through 1982".

10 COST OF PRODUCTION

11 SEC. 410. Title IV of the Agricultural Act of 1970, as
12 amended, is amended by adding at the end thereof a new
13 section 411 as follows:

14 "COST OF PRODUCTION

15 "SEC. 411. (a) The Secretary of Agriculture shall
16 determine for each of the 1979 through 1982 crops of
17 wheat, corn, and upland cotton the cost of production to be
18 used in the establishment of loan and payment rates for each
19 commodity. The determination shall be based on the Secre-
20 tary's estimate of the costs incurred in the production of the
21 crop, taking into consideration joint products such as the
22 value of cottonseed and the value of grazing in the case of
23 wheat, and shall include, but not be limited to—

24 "(1) a charge for all direct or variable costs, such
25 as labor, power and machinery, seed, fertilizer and

1 chemicals, custom services, irrigation, interest on operat-
2 ing capital, and other materials;

3 " (2) a charge for overhead costs (a proportionate
4 share, if applicable), such as personal property taxes,
5 electricity, sales taxes, insurance, farm auto costs, and
6 other such costs not directly related to the production of
7 a specific crop;

8 " (3) a charge for management; and

9 " (4) a charge for land based on a composite land
10 allocation using share rent, cash rent, and average
11 acquisition value.

12 " (b) Yields used in determining per unit costs shall be
13 based on the most recent 5-year weighted national average
14 harvested yields for wheat and cotton and the most recent
15 5-year weighted national average yields of corn harvested
16 for grain."

17 TITLE V—FEED GRAIN PROGRAM

18 LOAN RATE AND TARGET PRICE

19 SEC. 501. (a) Paragraph (18) of section 1 of the Agri-
20 culture and Consumer Protection Act of 1973 is amended by
21 striking out "1974 through 1977" and inserting in lieu there-
22 of "1974 through 1982".

23 (b) Effective only with respect to the 1978 through
24 1982 crops of feed grains, section 501 of the Agricultural Act

1 of 1970, as amended by the Agriculture and Consumer Pro-
2 tection Act of 1973, is amended by—

3 (1) striking out "1971 through 1977" each place it
4 occurs and inserting in lieu thereof "1971 through
5 1982";

6 (2) striking out "1974 through 1977" each place it
7 occurs and inserting in lieu thereof "1974 through
8 1982";

9 (3) amending section 105 (a) (1) of the Agricul-
10 tural Act of 1949, as it appears therein, to read as
11 follows:

12 "(a) (1) The Secretary shall make available to pro-
13 ducers loans and purchases on each crop of corn at not less
14 than 75 per centum of the cost of production, except that
15 the Secretary may adjust such level if he determines that
16 such level will discourage the exportation of feed grains or
17 result in excessive total stocks of feed grains in the United
18 States."; and

19 (4) amending section 105 (b) (1) of the Agricul-
20 tural Act of 1949, as it appears therein, to read as
21 follows:

22 "(b) (1) In addition, the Secretary shall make avail-
23 able to producers payments for each crop of corn, grain

1 sorghums, and, if designated by the Secretary, barley, com-
2 puted by multiplying (i) the payment rate, times (ii) the
3 allotment for the farm for such crop, times (iii) the yield
4 established for the farm for the preceding crop with such
5 adjustments as the Secretary determines necessary to provide
6 a fair and equitable yield. The payment rate for corn shall be
7 the amount by which the higher of—

8 “(A) the national weighted average market price
9 received by farmers during the first five months of the
10 marketing year for such crop, as determined by the
11 Secretary, or

12 “(B) the loan level determined under subsection
13 (a) for such crop

14 is less than the cost of production per bushel. The cost of
15 production per bushel for the 1978 crop of corn is deter-
16 mined to be \$2.28. For each of the 1979 through 1982
17 crops, the cost of production shall be determined by the
18 Secretary in accordance with section 411 of the Agricul-
19 tural Act of 1970. The payment rate for grain sorghums
20 and, if designated by the Secretary, barley, shall be such
21 rate as the Secretary determines fair and reasonable in rela-
22 tion to the rate at which payments are made available for
23 corn. If the Secretary determines that the producers on a
24 farm are prevented from planting any portion of the farm
25 acreage allotment to feed grains or other nonconserving crop,

1 because of drought, flood, or other natural disaster or con-
 2 dition beyond the control of the producer, the rate of pay-
 3 ment on such portion shall be the larger of (A) the fore-
 4 going rate, or (B) one-third of the cost of production. If the
 5 Secretary determines that, because of such a disaster or
 6 condition, the total quantity of feed grains (or of wheat, or
 7 cotton planted in lieu of the allotted crop) which the
 8 producers are able to harvest on any farm is less than $66\frac{2}{3}$
 9 per centum of the farm acreage allotment times the yield of
 10 feed grains (or of wheat, or cotton planted in lieu of the
 11 allotted crop) established for the farm, the rate of payment
 12 for the deficiency in production below 100 per centum shall
 13 be the larger of (A) the foregoing rate, or (B) one-third
 14 of the cost of production.”.

15 TITLE VI—UPLAND COTTON PROGRAM

16 SUSPENSION OF MARKETING QUOTAS; MINIMUM BASE

17 ACREAGE ALLOTMENTS

18 SEC. 601. Section 601 of the Agricultural Act of 1970,
 19 as amended, is amended by—

20 (a) striking out “1971 through 1977” each place
 21 it occurs and inserting in lieu thereof “1971 through
 22 1982”;

23 (b) striking out from paragraph (2) “1970
 24 through 1976” and inserting in lieu thereof “1970
 25 through 1981”;

1 (c) striking out from paragraph (3) (1) "1978"
2 and inserting in lieu thereof "1983";

3 (d) striking out from paragraph (4) "1972"
4 through 1977" and inserting in lieu thereof "1972"
5 through 1982"; and

6 (e) striking out from paragraph (4) "1974"
7 through 1977" and inserting in lieu thereof "1974"
8 through 1982".

9 COTTON PRODUCTION INCENTIVES; LOAN RATE AND
10 TARGET PRICE

11 SEC. 602. Section 602 of the Agricultural Act of 1970,
12 as amended, is amended by—

13 (a) striking out "1971 through 1977" each place
14 it occurs and inserting in lieu thereof "1971 through"
15 1982";

16 (b) striking out "1974 through 1977" each place
17 it occurs and inserting in lieu thereof "1974 through"
18 1982"; and

19 (c) effective, beginning with the 1978 crop,
20 amending paragraphs (1) and (2) of section 103 (e)
21 of the Agricultural Act of 1949, as they appear therein,
22 to read as follows:

23 "(e) (1) The Secretary shall upon presentation of ware-
24 house receipts reflecting accrued storage charges of not
25 more than 60 days make available for the 1978 through

1 1982 crops of upland cotton to cooperators nonrecourse
2 loans for a term of 10 months from the first day of the month
3 in which the loan is made at such level as will reflect for
4 Middling one-inch upland cotton (micronaire 3.5 through
5 4.9) at average location in the United States not less than 75
6 per centum of the cost of production, except that if the loan
7 rate so calculated is higher than the estimated average world
8 price for American cotton of such quality for the market-
9 ing year for which the loan determination is made, the Sec-
10 retary may adjust the loan rate for upland cotton to not less
11 than 90 per centum of the estimated world price. The
12 loan level for any crop of upland cotton shall be determined
13 and announced not later than November 1 of the calendar
14 year preceding the marketing year for which such loan
15 is to be effective. Notwithstanding the foregoing, if the carry-
16 over of upland cotton as of the beginning of the marketing
17 year for any of the 1972 through 1982 crops exceeds 7.2
18 million bales, producers on any farm harvesting cotton of
19 such crop from an acreage in excess of the base acreage
20 allotment for such farm shall be entitled to loans and pur-
21 chases only on an amount of the cotton of such crop pro-
22 duced on such farm determined by multiplying the yield used
23 in computing payments for such farm by the base acreage
24 allotment for such farm.

1 “(2) Payments shall be made for each crop of cotton
2 to the producers on each farm at a rate equal to the amount
3 by which the higher of—

4 “(A) the average market price received by farmers
5 for upland cotton during the calendar year which in-
6 cludes the first five months of the marketing year for
7 such crop, as determined by the Secretary, or

8 “(B) the loan level determined under paragraph
9 (1) for such crop

10 is less than the cost of production per pound. The cost of
11 production per pound for the 1978 crop is determined to be
12 51.1 cents per pound. For each of the 1979 through 1982
13 crops, the cost of production shall be determined by the
14 Secretary in accordance with section 411 of the Agricultural
15 Act of 1970. If the Secretary determines that the producers
16 on a farm are prevented from planting any portion of the
17 allotment to cotton because of drought, flood, or other
18 natural disaster, or condition beyond the control of the
19 producer, the rate of payment for such portion shall be the
20 larger of (A) the foregoing rate, or (B) one-third of the
21 cost of production. If the Secretary determines that, because
22 of such a disaster or condition, the total quantity of cotton
23 which the producers are able to harvest on any farm is less
24 than $66\frac{2}{3}$ per centum of the farm base acreage allotment
25 times the average yield established for the farm, the rate of

1 payment for the deficiency in production below 100 per
2 centum shall be the larger of (A) the foregoing rate, or
3 (B) one-third of the cost of production. The payment rate
4 with respect to any producer who (i) is on a small farm
5 (that is, a farm on which the base acreage allotment is ten
6 acres or less, or on which the yield used in making payments
7 times the farm base acreage allotment is five thousand
8 pounds or less, and for which the base acreage allotment
9 has not been reduced under section 350 (f)), (ii) resides
10 on such farm, and (iii) derives his principal income from
11 cotton produced on such farm, shall be increased by 30 per
12 centum; but, notwithstanding paragraph (3), such increase
13 shall be made only with respect to his share of cotton actually
14 harvested on such farm within the quantity specified in
15 paragraph (3).”.

16 COMMODITY CREDIT CORPORATION SALES PRICE

17 RESTRICTIONS

18 SEC. 603. Section 603 of the Agricultural Act of 1970,
19 as amended, is amended by striking out “1978” and insert-
20 ing in lieu thereof “1983”.

21 MISCELLANEOUS COTTON PROVISIONS

22 SEC. 604. Sections 604, 605, 606, 607, and 608 of the
23 Agricultural Act of 1970, as amended, are each amended by
24 striking out “1971 through 1977” and inserting in lieu
25 thereof “1971 through 1982”.

SKIPROW PRACTICES

1
2 SEC. 605. Section 612 of the Agricultural Act of 1970 is
3 amended by striking out "1974 through 1977" and inserting
4 in lieu thereof "1974 through 1982".

TITLE VII—RICE

NATIONAL ACREAGE ALLOTMENT AND ALLOCATION

6
7 SEC. 701. Section 101 of the Rice Production Act of
8 1975 is amended by striking out "1976 and 1977" each
9 place it occurs and inserting in lieu thereof "1976 through
10 1982".

LOAN RATE AND TARGET PRICE

11
12 SEC. 702. Section 102 of the Rice Production Act of
13 1975 is amended by—

14 (a) striking out "1976 and 1977" each place it
15 occurs and inserting in lieu thereof "1976 through
16 1982"; and

17 (b) amending paragraphs (1) and (2) of section
18 101 (g) of the Agricultural Act of 1949, as they appear
19 therein, to read as follows:

20 "(1) The established price for the purpose of making
21 payments on rice under this subsection shall be \$8 per
22 hundredweight in the case of the 1976 crop, adjusted to
23 reflect any changes in the index of prices paid by farmers
24 for production items, interest, taxes, and wage rates during
25 the period beginning on the date of enactment of the Rice

1 Production Act of 1975, and ending July 31, 1976; for
2 each of the 1977 through 1982 crops, the established price
3 shall be the established price for the preceding year's crop
4 adjusted to reflect any changes in the index of prices paid
5 by farmers for production items, interest, taxes, and wage
6 rates during the 12-month period immediately preceding
7 July 31 of the crop year for which the established price is
8 determined: *Provided*, That any increase that would other-
9 wise be made in the established price for the 1976 through
10 1982 crops to reflect a change in the index of prices paid by
11 farmers may be further adjusted to reflect any change in
12 (i) the national average yield per acre of rice for the three
13 calendar years preceding the year for which the determina-
14 tion is made, over (ii) the national average yield per acre
15 for the three calendar years preceding the year previous to
16 the one for which the determination is made.

17 “(2) The Secretary shall make available to cooperators
18 in the several States of the United States, loans and pur-
19 chases on the 1976 crop of rice at a rate equal to \$6 per
20 hundredweight, adjusted to reflect any changes in the index
21 of prices paid by farmers for production items, interest, taxes,
22 and wage rates during the period beginning on the date of
23 enactment of the Rice Production Act of 1975 and ending
24 July 31, 1976: *Provided*, That any increase in the rate of
25 loans and purchases for the 1976 crop to reflect a change

1 ferent times in response to different and specific needs,
2 and their work is not fully coordinated;

3 (4) these agencies have only been partially success-
4 ful in responding to the needs of all persons affected by
5 their research;

6 (5) useful information produced through federally
7 supported food and agricultural research is not being
8 efficiently transferred to the people of the United States;

9 (6) Federal funding levels for food and agricul-
10 tural research in recent years have not been commensur-
11 ate with needs stemming from changes in United States
12 agricultural practices and the world food and agricul-
13 tural situation;

14 (7) new research initiatives are needed in the areas
15 of food and human nutrition, animal health, and
16 aquaculture;

17 (8) increased research efforts are necessary to find
18 solutions to environmental problems and alternatives to
19 the technologies that have contributed to these problems;
20 and

21 (9) expanded research is needed to improve the
22 management and use of the Nation's natural and re-
23 newable resources, and promote improved living stand-
24 ards in rural America.

25 (b) Congress hereby declares that it is the policy of

1 the Federal Government of the United States that special
2 measures as set forth in this subtitle shall be undertaken to
3 improve the coordination, planning, and dissemination of
4 food and agricultural research, identify needs and establish
5 priorities for such research, and assure the full achievement
6 of national food and agricultural research objectives.

7 (c) Congress further declares that the Secretary of Agri-
8 culture should have the primary role in the overall national
9 food and agricultural research effort and implementing the
10 intent of Congress as expressed in this subtitle, in cooperation
11 with other Federal departments and agencies, the States,
12 colleges and universities, and user groups.

13 DEFINITIONS

14 SEC. 802. When used in this subtitle—

15 (a) the term “food and agricultural research” means
16 research in the fields of agriculture, silviculture, aquacul-
17 ture, associated marketing systems, water and soil re-
18 sources, home economics, human nutrition, and animal
19 health;

20 (b) the term “Secretary” means the Secretary of
21 Agriculture of the United States;

22 (c) the term “Department of Agriculture” means
23 the United States Department of Agriculture;

24 (d) the term “Policy Council” means the Federal
25 Food and Agricultural Research Policy Council;

1 (e) the term "Operations Committee" means the
2 Federal Food and Agricultural Research Operations and
3 Advisory Committee;

4 (f) the term "Users Advisory Board" means the
5 Users Advisory Board for Food and Agricultural
6 Research;

7 (g) the term "State agricultural experiment
8 stations" means those institutions eligible to receive funds
9 under the Act of March 2, 1887, as amended (24 Stat.
10 440, as amended; 7 U.S.C. 361a-361i), and the Re-
11 search Facilities Act (77 Stat. 90; 7 U.S.C. 390-390k);
12 and

13 (h) the term "agricultural and mechanical colleges"
14 means those institutions eligible to receive funds under
15 the Act of July 2, 1862 (12 Stat. 503, as amended;
16 7 U.S.C. 301-305, 307, and 308), or the Act of August
17 30, 1890 (26 Stat. 419, as amended; 7 U.S.C. 321-
18 326 and 328), including the Tuskegee Institute.

19 FEDERAL FOOD AND AGRICULTURAL RESEARCH POLICY

20 COUNCIL

21 SEC. 803. (a) To aid in the development, implementa-
22 tion, and coordination of Federal food and agricultural re-
23 search programs, there is hereby created and established
24 within the executive branch of the Government of the United

1 States a permanent council to be known as the Federal
2 Food and Agricultural Research Policy Council.

3 (b) The Policy Council shall be composed of the fol-
4 lowing eight persons—

5 (1) the Director of the Office of Science and Tech-
6 nology Policy, who shall serve as the Chairperson;

7 (2) the Assistant Secretary of Agriculture who has
8 jurisdiction over food and agricultural research, who
9 shall serve as Vice Chairperson;

10 (3) the Assistant Secretary of Health of the De-
11 partment of Health, Education, and Welfare;

12 (4) the Deputy Administrator of the Agency for
13 International Development of the Department of State;

14 (5) the Deputy Administrator of the Environ-
15 mental Protection Agency;

16 (6) the Deputy Director of the Office of Manage-
17 ment and Budget;

18 (7) the Deputy Administrator of the Energy Re-
19 search and Development Administration; and

20 (8) the Deputy Director of the National Science
21 Foundation.

22 (c) The Policy Council shall meet at the call of the
23 Chairperson, but at least once during each three-month
24 period.

1 (d) The Secretary shall provide clerical assistance and
2 staff personnel to the Policy Council to carry out its duties.
3 The Director of the Office of Research and Competitive
4 Grants of the Department of Agriculture shall serve as
5 executive secretary to the Policy Council.

6 (e) The Policy Council shall—

7 (1) periodically review Federal food and agri-
8 cultural research programs in order to insure that there
9 is maximum coordination and cooperation among Fed-
10 eral departments and agencies in their food and agri-
11 cultural research efforts; and

12 (2) annually prepare and submit to the Secretary
13 of Agriculture, not later than January 31 of each year,
14 a statement of the recommendations of the Policy Coun-
15 cil developed pursuant to the requirements of section 808

16 (a) of this title. The statement shall include, as neces-
17 sary, the recommendations of the Policy Council with
18 respect to supplemental funding or organizational
19 changes necessary to achieve the objectives of this
20 subtitle.

21 FEDERAL FOOD AND AGRICULTURAL RESEARCH OPERA-
22 TIONS AND ADVISORY COMMITTEE

23 SEC. 804. (a) There is hereby created and established
24 in the Department of Agriculture a permanent committee

1 to be known as the Federal Food and Agricultural Research
2 Operations and Advisory Committee.

3 (b) The Operations Committee shall be composed of
4 the following twenty-three members who are directly in-
5 volved in the national food and agricultural research effort—

6 (1) seven members from the Department of Agri-
7 culture designated by the Secretary, including the As-
8 sistant Secretary who has jurisdiction over food and
9 agricultural research, who shall serve as Co-Chairperson,
10 and the administrators of the major research and ex-
11 tension agencies or bureaus within the Department of
12 Agriculture;

13 (2) the following seven members from other Fed-
14 eral departments and agencies—

15 (A) the Assistant Administrator for Pesticides
16 of the Environmental Protection Agency;

17 (B) a representative designated by the Admin-
18 istrator of the Agency for International Develop-
19 ment of the Department of State;

20 (C) a representative of the Food and Drug
21 Administration of the Department of Health, Edu-
22 cation, and Welfare, and a representative of the Na-
23 tional Institutes of Health of the Department of

1 Health, Education, and Welfare, designated by the
2 Secretary of the Department of Health, Education,
3 and Welfare;

4 (D) a representative designated by the Ad-
5 ministrator of the National Oceanic and Atmos-
6 pheric Administration of the Department of Com-
7 merce;

8 (E) a representative designated by the Ad-
9 ministrator of the Energy Research and Develop-
10 ment Administration; and

11 (F) a representative designated by the Direc-
12 tor of the National Science Foundation;

13 (3) a representative designated by the Executive
14 Committee for the Division of Agriculture of the National
15 Association of State Universities and Land-Grant Col-
16 leges (who shall serve as Co-Chairperson) ;

17 (4) a representative designated by the Experiment
18 Station Committee on Organization and Policy;

19 (5) a representative designated by the Chairper-
20 son of the Association of State Colleges and University
21 Forestry Research Organization;

22 (6) a representative designated by the Extension
23 Committee on Organization and Policy;

24 (7) a representative designated by the Commission

1 on Home Economics of the National Association of
2 State Universities and Land-Grant Colleges;

3 (8) the Chairperson of the Animal Health Science
4 Research Advisory Board;

5 (9) a representative designated by the agricultural
6 and mechanical colleges eligible to receive funds under
7 the Act of August 30, 1890 (26 Stat. 419, as amended;
8 7 U.S.C. 321-326 and 328) ;

9 (10) a representative designated by the American
10 Association of Universities; and

11 (11) a representative designated by the Board on
12 Agriculture and Renewable Resources of the National
13 Academy of Sciences.

14 (c) (1) The Secretary is authorized to appoint ex
15 officio members to the Operations Committee.

16 (2) The Director of the Office of Research and Com-
17 petitive Grants of the Department of Agriculture shall be an
18 ex officio member of the Operations Committee.

19 (d) The Operations Committee shall meet at least once
20 during each three-month period. At least one meeting each
21 year shall be a joint meeting with the Users Advisory Board.

22 (e) The Secretary shall provide clerical assistance and
23 staff personnel to the Operations Committee to carry out its
24 duties. The Director of the Office of Research and Competi-

1 tive Grants of the Department of Agriculture shall serve as
2 executive secretary to the Operations Committee.

3 (f) The Operations Committee shall—

4 (1) provide a forum for the interchange of
5 information among the organizations represented by the
6 members of the Operations Committee that will assure
7 maximum awareness among these organizations con-
8 cerning the research programs, results, and directions
9 of each organization;

10 (2) develop, and periodically review the effective-
11 ness of, a system for compiling, maintaining, and dis-
12 seminating information about each federally supported
13 food and agricultural research project and, to the maxi-
14 mum extent possible, information about private re-
15 search projects conducted by colleges and universities,
16 foundations, contract research groups, businesses, and
17 others. Information about private research projects shall
18 not be included in this system unless they are partially
19 or entirely funded by the Federal Government or the
20 organizations sponsoring the projects request in writing
21 the inclusion of information about such research projects;

22 (3) develop and recommend methods for expanding
23 bases of cooperation in planning and implementing na-
24 tional, regional, and interstate research programs, for
25 submission to the Department of Agriculture and other

1 agencies and institutions conducting food and agri-
2 cultural research;

3 (4) develop a system for reviewing and evaluating
4 food and agricultural research programs;

5 (5) develop, and periodically review the effective-
6 ness of, guidelines for use by the Secretary in making
7 competitive grants under section 813 of this title;

8 (6) periodically review developments in food and
9 agricultural research and determine the high-priority re-
10 search areas, and submit an annual report identifying the
11 high-priority research areas to the Office of Research and
12 Competitive Grants of the Department of Agriculture for
13 use by the Secretary in making competitive grants; and

14 (7) prepare and submit to the Secretary, not later
15 than December 31 of each year, a statement of the rec-
16 ommendations of the Operations Committee developed
17 pursuant to the requirements of section 808 (a) of this
18 title. The statement shall also include—

19 (A) the committee's recommendations as to
20 unified food and agricultural research programs to
21 be implemented during the following fiscal year,
22 delineating suggested areas of responsibility for
23 Federal and State agencies in carrying out such
24 programs, and the overall planning, evaluation,

1 coordination, and support necessary for such pro-
2 grams, and

3 (B) a summary of food and agricultural re-
4 search achievements made during, and the status of
5 on-going projects as of the end of, the prior fiscal
6 year for the research programs conducted by the
7 organizations represented by the members of the
8 Operations Committee. Minority views, if timely
9 submitted, shall be included in the submission.

10 The Secretary shall make the statement available to the
11 Policy Council and Users Advisory Board.

12 USERS ADVISORY BOARD FOR FOOD AND AGRICULTURAL
13 RESEARCH; WORKING PANELS

14 SEC. 805. (a) The Secretary shall establish within the
15 Department of Agriculture a permanent board to be known
16 as the Users Advisory Board for Food and Agricultural
17 Research.

18 (b) The Users Advisory Board shall be composed of
19 the following twenty-five members to be appointed by the
20 Secretary—

21 (1) four members representing producers of agri-
22 cultural commodities and aquaculture;

23 (2) four members representing consumer interests;

24 (3) four members representing farm suppliers and
25 food and fiber processors;

1 (4) four members representing food marketing
2 organizations;

3 (5) two members representing environmental
4 groups;

5 (6) two members representing animal health
6 groups;

7 (7) two members engaged in rural development
8 work;

9 (8) two members engaged in human nutrition
10 work; and

11 (9) one member representing organized labor.

12 Members of the Users Advisory Board shall be appointed
13 for three-year terms and may be reappointed only after an
14 absence from the Users Advisory Board of at least three
15 years: *Provided*, That original appointments shall be for
16 one, two, and three years, on a proportional basis, and any
17 person appointed for less than a full term may be reap-
18 pointed after the expiration of such term for a successive
19 appointment for a full three-year term.

20 (c) The Users Advisory Board shall select a Chair-
21 person and Vice-Chairperson from its membership, at its
22 first meeting each year, who shall serve in those positions
23 for a term of one year.

24 (d) The Users Advisory Board shall meet at least once

1 during every six-month period. At least one meeting each
2 year shall be a joint meeting with the Operations Committee.

3 (e) (1) The Users Advisory Board shall be divided,
4 for the performance of the duties prescribed in subsection
5 (i) of this section, into five working panels, each composed
6 of five members of the Users Advisory Board, with general
7 responsibilities, respectively, as follows—

8 (A) user group 1—agricultural input requirements;

9 (B) user group 2—agricultural and food produc-
10 tion;

11 (C) user group 3—food marketing;

12 (D) user group 4—human nutrition; and

13 (E) user group 5—renewable resources.

14 (2) Membership on the working panels shall be for a
15 term of one year and members may select the working panel
16 on which to serve. However, whenever more than five mem-
17 bers of the Users Advisory Board wish to serve on the
18 same working panel, membership shall be determined by
19 drawing lots.

20 (3) Determination of the membership of the working
21 panels shall be made, under the supervision of the Chair-
22 person of the Users Advisory Board, at the first meeting of
23 the Users Advisory Board each year.

24 (4) The working panels shall each select a Chairperson.
25 The Chairperson and Vice-Chairperson of the Users Advisory
26 Board may not serve as Chairperson of a working panel.

1 (5) The working panels shall meet at least once during
2 every four-month period. All members of the Users Advisory
3 Board shall be advised of each meeting of the working panels
4 and, if they are not members of the working panel holding the
5 meeting, may participate in the meeting on a nonvoting basis.

6 (f) The Chairperson and Vice-Chairperson of the Users
7 Advisory Board and the Chairpersons of the working panels
8 shall constitute an executive board.

9 (g) The Secretary shall, after consultation with the
10 executive board, provide clerical assistance and staff personnel
11 to the Users Advisory Board to carry out its duties. In addi-
12 tion, the Secretary shall employ, with the advice and con-
13 sent of the executive board, a person to serve as staff director
14 for the Users Advisory Board. The staff director shall be
15 deemed to be a confidential or policymaking position excepted
16 from the Civil Service competitive service requirements of
17 title 5 of the United States Code. The staff director shall be
18 an ex officio member of the Users Advisory Board and all
19 working panels.

20 (h) The Users Advisory Board shall—

21 (1) develop and submit recommendations as to
22 appropriate subjects and issues for consideration by the
23 Policy Council;

24 (2) annually review and assess for the Policy Coun-
25 cil and Operations Committee—

1 (A) the policies, programs, goals, and priorities
2 of Federal departments and agencies performing
3 food and agricultural research;

4 (B) the relationship of the Federal Govern-
5 ment with the agricultural and mechanical colleges
6 and State agricultural experiment stations, and with
7 other colleges and universities in the United States
8 which conduct or have the capacity to conduct food
9 and agricultural research with Federal support; and

10 (C) the extent of food and agricultural research
11 being conducted by other entities, including private
12 foundations and businesses, and the relationships of
13 such research to federally supported food and agri-
14 cultural research; and

15 (3) prepare and submit to the Secretary, not later
16 than November 30 of each year, a statement of the rec-
17 ommendations of the Users Advisory Board developed
18 pursuant to the requirements of section 808 (a) of this
19 title. The statement shall also include a review and an
20 assessment of the allocation of funds for food and agricul-
21 tural research by the organization represented on the
22 Operations Committee for the preceding fiscal year.
23 Minority views, if timely submitted, shall be included in
24 the submission. The Secretary shall make the statement
25 available to the Policy Council and Operations Com-
26 mittee.

1 (i) The working panels shall—

2 (1) conduct public workshops and meetings with
3 interested persons, to assure that, to the maximum ex-
4 tent possible, the views and comments of all such per-
5 sons are obtained; and

6 (2) transmit summaries of the views and opinions
7 obtained to the Policy Council.

8 ESTABLISHMENT OF THE OFFICE OF RESEARCH AND COM-
9 PETITIVE GRANTS AND DUTIES OF THE DIRECTOR

10 SEC. 806. (a) The Secretary shall establish in the De-
11 partment of Agriculture an office to be known as the Office
12 of Research and Competitive Grants. This Office shall be
13 headed by a Director who shall be appointed by the Presi-
14 dent, by and with the advice and consent of the Senate, and
15 who shall report generally to the Assistant Secretary of Ag-
16 riculture with jurisdiction over food and agricultural re-
17 search. The Director shall possess demonstrated competence
18 in research administration and professional experience in one
19 or more of the sciences involved in food and agricultural
20 research.

21 (b) The Director shall provide executive secretarial
22 support to the Policy Council and the Operations Committee
23 and shall serve as an ex officio member of the Operations
24 Committee.

1 erally supported food and agricultural research and educa-
2 tion programs, identify the priority needs for those programs,
3 and make recommendations as to allocations of responsibilities
4 and levels of funding among these programs. The recom-
5 mendations shall be submitted to the Secretary as provided
6 in this subtitle.

7 (b) A statement of the recommendations shall be sub-
8 mitted by the Secretary of Agriculture to the President, the
9 Speaker of the House of Representatives, and the President
10 of the Senate not later than February 15 of each year, except
11 that the first statement shall not be due until February 15
12 of the second fiscal year following the fiscal year in which
13 this Act becomes effective.

14 RULES AND REGULATIONS

15 SEC. 809. The Secretary of Agriculture is authorized to
16 prescribe such rules and regulations as the Secretary deems
17 necessary to carry out the provisions of this subtitle.

18 GENERAL PROVISIONS

19 SEC. 810. (a) Any vacancy in the Policy Council, Op-
20 erations Committee, or the Users Advisory Board shall not
21 affect their powers under this subtitle and shall be filled in
22 the same manner as the original position.

23 (b) Members of the Policy Council and the Operations
24 Committee may designate representatives to attend meetings

1 of the Policy Council or Operations Committee whenever
2 they are unable to attend.

3 (c) The Policy Council, Operations Committee, and
4 Users Advisory Board are authorized to delegate any func-
5 tions to their individual members, and to make such rules
6 and regulations as are necessary for the conduct of business,
7 except as herein otherwise provided.

8 (d) Members of the Policy Council, Operations Com-
9 mittee, and Users Advisory Board shall serve without com-
10 pensation, if not otherwise officers or employees of the United
11 States, except that members of the Operations Committee
12 and Users Advisory Board shall, while away from their
13 homes or regular places of business in the performance of
14 services under this subtitle, be allowed travel expenses, in-
15 cluding per diem in lieu of subsistence, as authorized under
16 section 5703 of title 5 of the United States Code.

17 DIRECTOR—EXECUTIVE LEVEL V

18 SEC. 811. Section 5316 of title 5 of the United States
19 Code, as amended, is amended by adding at the end thereof
20 a new paragraph (141) as follows:

21 “(141) Director, Office of Research and Competi-
22 tive Grants, Department of Agriculture.”.

23 APPROPRIATIONS

24 SEC. 812. There are hereby authorized to be appro-
25 priated such sums as are necessary to carry out the provisions
26 of this subtitle.

1 Subtitle B—Food and Agricultural Research

2 Grants and Contingency Funds

3 RESEARCH GRANTS

4 SEC. 813. Section 2 of the Act of August 4, 1965 (79
5 Stat. 431; 7 U.S.C. 450i), is amended to read as follows:

6 “SEC. 2. (a) In order to promote research in food,
7 agriculture, and related areas, a research grants program is
8 hereby established in the Department of Agriculture.

9 “(b) The Secretary of Agriculture is authorized to
10 make competitive grants, for periods not to exceed five
11 years duration, to State agricultural experiment stations,
12 colleges, universities, other research institutions and orga-
13 nizations, and to Federal and private organizations or cor-
14 porations and individuals, for research to further the pro-
15 grams of the Department of Agriculture. Not less than 50
16 per centum of the funds extended for competitive grants
17 shall be allocated by the Secretary to high-priority research
18 taking into consideration the determinations made by the
19 Federal Food and Agricultural Research Operations and Ad-
20 visory Committee identifying high-priority research areas.

21 “(c) The Secretary of Agriculture is authorized to
22 make grants, for periods not to exceed three year' duration,
23 to agricultural and mechanical colleges eligible to receive
24 funds under the Act of July 2, 1862 (12 Stat. 503, as
25 amended; 7 U.S.C. 301-305, 307, and 308) or the Act

1 of August 30, 1890 (26 Stat. 419, as amended; 7 U.S.C.
2 321-326 and 328), including the Tuskegee Institute, and
3 State agricultural experiment stations, to facilitate or ex-
4 pand on-going State-Federal research programs that (1)
5 require funding in excess of normal program levels, (2)
6 promote excellence in research, (3) promote the develop-
7 ment of regional research centers, or (4) promote the
8 research partnership between the Department of Agriculture
9 and such colleges, or the State agricultural experiment
10 stations.

11 “(d) The Secretary of Agriculture shall make annual
12 grants to support the purchase of equipment and supplies
13 and the construction, alteration, or renovation of buildings
14 necessary for the conduct of food and agricultural research,
15 to—

16 “(1) each State agricultural experiment station in
17 an amount of \$100,000 or an amount which is equal
18 to 10 per centum of the funds received by such station
19 under the Act of March 2, 1887 (24 Stat. 440, as
20 amended; 7 U.S.C. 361a-361i), and the Act of Octo-
21 ber 10, 1962 (76 Stat. 806; 16 U.S.C. 582a-7), which-
22 ever is greater: *Provided*, That of any amount in excess
23 of \$50,000 made available under this paragraph during
24 any year for allotment to a State agricultural experiment
25 station, no payment thereof shall be made in excess of

1 the amount which the station makes available during
2 that year for the establishment and maintenance of
3 facilities; and

4 “(2) each accredited college of veterinary medi-
5 cine and State agricultural experiment station which
6 receives funds from the Federal Government for animal
7 health research, in an amount which is equal to 10 per
8 centum of the animal health research funds received from
9 the Federal Government during the previous fiscal year.
10 Any State agricultural experiment station or college eligible
11 for annual grants under this section may elect to defer the
12 receipt of an annual grant for any fiscal year for up to five
13 years: *Provided*, That the total amounts deferred may not
14 exceed \$1,000,000. Application may be made for receipt
15 of deferred grants at any time during the five years, subject
16 to the matching funds requirement of this section and the
17 availability of appropriations under this section.

18 “(e) Each recipient of assistance under this section shall
19 keep such records as the Secretary of Agriculture shall, by
20 regulation, prescribe, including records which fully disclose
21 the amount and disposition by such recipient of the proceeds
22 of such grants, the total cost of the project or undertaking
23 in connection with which such funds are given or used, and
24 the amount of that portion of the costs of the project or
25 undertaking supplied by other sources, and such other records

1 as will facilitate an effective audit. The Secretary of Agricul-
2 ture and the Comptroller General of the United States or
3 any of their duly authorized representatives shall have access
4 for the purpose of audit and examination to any books, docu-
5 ments, papers, and records of the recipients that are pertinent
6 to the grants received under this section.

7 “(f) The Secretary of Agriculture shall limit allowable
8 overhead costs, with respect to grants awarded under this
9 section, to those necessary to carry out the purposes of the
10 grants.

11 “(g) There are hereby authorized to be appropriated
12 such sums as are necessary to carry out the provisions of
13 this section.

14 “(h) The Secretary of Agriculture is authorized to pre-
15 scribe such rules and regulations as the Secretary deems
16 necessary to carry out the provisions of this section.”.

17 CONTINGENCY FUND

18 SEC. 814. A contingency fund for the Department of
19 Agriculture shall be established in the United States Treasury
20 to be called the “Department of Agriculture-Contingency
21 Research Fund”, and there are hereby authorized to be
22 appropriated such sums as are necessary to maintain such
23 fund at a minimum level of \$5,000,000. The fund shall be
24 available to the Secretary of Agriculture without fiscal year

1 limitation to meet irregular or unexpected research needs of
2 any service agency within the Department of Agriculture
3 and emergency food and agricultural research needs, includ-
4 ing national or regional conferences in connection with
5 emergency problems or situations.

6 Subtitle C—National Food and Human Nutrition Research
7 and Extension Program

8 FINDINGS AND DECLARATIONS

9 SEC. 815. (a) Congress hereby finds that there is in-
10 creasing evidence of a relationship between diet and many
11 of the leading causes of death in the United States; that
12 improved nutrition is an integral component of preventive
13 health care; that there is a serious need for research on the
14 chronic effects of diet on degenerative diseases and related
15 disorders; that nutrition and health considerations are im-
16 portant to United States agricultural policy; that there is
17 insufficient knowledge concerning precise human nutritional
18 requirements, the interaction of the various nutritional con-
19 stituents of food, and differences in nutritional requirements
20 among different population groups such as infants, children,
21 adolescents, elderly men and women, and pregnant women;
22 and that there is a critical need for objective data concerning
23 food safety, the potential of food enrichment, and means to
24 encourage better nutritional practices.

1 (b) It is hereby declared to be the policy of the United
2 States, for the promotion and protection of the general wel-
3 fare of its people, that the United States Department of Ag-
4 riculture conduct research in the fields of human nutrition
5 and the nutritive value of foods and conduct human nutri-
6 tion education activities, as provided in this subtitle.

7 AUTHORIZATIONS TO THE SECRETARY OF AGRICULTURE

8 SEC. 816. In order to carry out the policy of this sub-
9 title, the Secretary of Agriculture of the United States shall
10 develop and implement a national food and human nutrition
11 research and extension program that shall include, but not
12 be limited to—

- 13 (a) research on human nutritional requirements;
- 14 (b) research on the nutrient composition of foods
15 and the effects of agricultural practices, handling, food
16 processing, and cooking on the nutrients they contain;
- 17 (c) surveillance of the nutritional benefits pro-
18 vided to participants in the food programs administered
19 by the Department of Agriculture;
- 20 (d) research on the factors affecting food prefer-
21 ences and habits; and
- 22 (e) the development of techniques and equipment
23 to assist consumers in the home or in institutions in se-
24 lecting food that supplies a nutritionally adequate diet.

1 RESEARCH BY THE AGRICULTURAL RESEARCH SERVICE

2 SEC. 817. (a) The Secretary of Agriculture shall estab-
3 lish research into food and human nutrition as a separate
4 and distinct mission of the Agricultural Research Service,
5 and the Secretary shall increase support for such research
6 to a level that provides resources adequate to meet the policy
7 of this subtitle.

8 (b) The Secretary, in administering food and human
9 nutrition research within the Agricultural Research Service,
10 shall periodically consult with the administrators of the
11 Federal agencies that have responsibility for programs deal-
12 ing with human food and nutrition, as to the specific research
13 needs of those agencies.

14 (c) Not less than 2 per centum of the funds appro-
15 priated to the Agricultural Research Service for food and
16 human nutrition research in any fiscal year shall be allocated
17 and be available to carry out needed research to improve the
18 operations of the programs of the Food and Nutrition Serv-
19 ice, as jointly determined by the Administrators of the Agri-
20 cultural Research Service and the Food and Nutrition
21 Service.

22

STUDY

23 SEC. 818. The Secretary of Agriculture shall perform a
24 study assessing the potential value and cost of establishing

1 regional food and human nutrition research centers in the
2 United States. This assessment shall examine the feasibility
3 of using existing Federal facilities in establishing such centers.
4 The Secretary shall complete this study and submit a report
5 setting forth the findings of the study and recommendations
6 for the implementation of these findings, as a part of the
7 plan the Secretary is required to submit to Congress pur-
8 suant to section 822 of this subtitle, not later than one year
9 after the effective date of this Act.

10 RESEARCH BY STATE AGRICULTURAL EXPERIMENT

11 STATIONS

12 SEC. 819. Section 3 (c) of the Act of March 2, 1887
13 (24 Stat. 441, as amended; 7 U.S.C. 361c(c)) is
14 amended—

15 (a) by redesignating paragraph 5 as paragraph 6
16 and inserting immediately before redesignated paragraph
17 6 a new paragraph 5 as follows:

18 “5. Not less than 15 per centum of any funds appro-
19 priated pursuant to this subsection for distribution to States
20 shall be used by State agricultural experiment stations for
21 conducting food and human nutrition research projects ap-
22 proved by the Secretary of Agriculture;” and

23 (b) by striking out “20” in paragraph 4 and
24 inserting “10”.

1 centum of the income poverty guidelines, as determined
2 by the last preceding decennial census at the time each such
3 sum is first appropriated. To the maximum extent practica-
4 ble, program aides will be hired from the indigenous target
5 population. The provisions of this subsection shall not pre-
6 clude the Extension Service from developing educational
7 materials and programs for persons in income ranges above
8 the level designated in this subsection. As used in this section
9 and section 821 of this title, the term "State" means any
10 one of the fifty States and the District of Columbia, Guam,
11 Puerto Rico, and the Virgin Islands of the United States.

12 SEC. 821. In order to encourage nutrition education pro-
13 grams in the classrooms and lunchrooms of elementary and
14 secondary schools, the Secretary of Agriculture shall, in con-
15 sultation with appropriate officials in the Department of
16 Health, Education, and Welfare, develop and distribute to
17 State departments of education a comprehensive set of edu-
18 cational materials on food and nutrition education which
19 shall be appropriate for all levels of the elementary and sec-
20 ondary education system.

21 REPORT TO CONGRESS

22 SEC. 822. The Secretary of Agriculture shall submit a
23 comprehensive plan for implementing the National Food and
24 Human Nutrition Research and Extension Program provided
25 for by this subtitle to Congress within one year after the

1 effective date of this Act. The plan shall include, but not
2 be limited to, recommendations relating to research direction,
3 funding levels, needed facilities grants, and use of Federal
4 facilities in cooperation with States and others, necessary to
5 achieve the policy set forth in section 815 of this title.

6 **RULES AND REGULATIONS**

7 **SEC. 823.** The Secretary of Agriculture is authorized to
8 prescribe such rules and regulations as the Secretary deems
9 necessary to carry out the provisions of this subtitle.

10 **Subtitle D—Animal Health Research**

11 **PURPOSE**

12 **SEC. 824.** It is the purpose of this subtitle to promote
13 the general welfare through improved health and produc-
14 tivity of domestic livestock, poultry, and other income-pro-
15 ducing animals which are essential to the Nation's food
16 supply and the welfare of producers and consumers of animal
17 products; to facilitate the effective treatment of and, where
18 possible, prevent animal and poultry diseases that, if not con-
19 trolled, would be disastrous to the United States livestock
20 and poultry industries and endanger the Nation's food sup-
21 ply; to minimize livestock and poultry losses due to trans-
22 portation and handling; to protect human health through
23 control of animal diseases transmissible to humans; to im-
24 prove the health of companion animals which support an in-
25 dustry of major economic importance and which contribute

1 significantly to the quality of family life; to improve methods
2 of controlling the births of predators and other animals; and
3 otherwise to promote the general welfare through expanded
4 programs of research to improve animal health. It is rec-
5 ognized that the total animal health research efforts of the
6 several State colleges and universities and of the Federal
7 Government of the United States would be more effective
8 if there were close coordination between such programs,
9 and it is further recognized that colleges of veterinary medi-
10 cine and departments of veterinary sciences and animal
11 pathology, and similar units conducting animal health re-
12 search in the State agricultural experiment stations, are
13 especially vital in training research workers in animal
14 health.

15 DEFINITIONS

16 SEC. 825. When used in this subtitle—

17 (a) the term "eligible institution" means those
18 State agricultural experiment stations eligible to receive
19 assistance under the Act of March 2, 1887 (24 Stat.
20 440, as amended; 7 U.S.C. 361a-361i), and accredited
21 colleges of veterinary medicine;

22 (b) the term "dean" means the dean of a college of
23 veterinary medicine;

24 (c) the term "director" means the director of a
25 State agricultural experiment station;

26 (d) the term "State" means any one of the fifty

1 States and the District of Columbia, Guam, Puerto Rico,
2 and the Virgin Islands of the United States;

3 (e) the term "Secretary" means the Secretary of
4 Agriculture of the United States;

5 (f) the term "Advisory Board" means the Animal
6 Health Science Research Advisory Board; and

7 (g) the term "animal health research capacity"
8 means the capacity of an eligible institution to conduct
9 research on animal health, as determined by the
10 Secretary.

11 AUTHORIZATION TO THE SECRETARY OF AGRICULTURE

12 SEC. 826. In order to carry out the purposes of this
13 subtitle, the Secretary is hereby authorized to cooperate
14 with, encourage, and assist the States in carrying out pro-
15 grams of animal health research at eligible institutions, in
16 the manner hereinafter described in this subtitle.

17 ANIMAL HEALTH SCIENCE RESEARCH ADVISORY BOARD

18 SEC. 827. (a) The Secretary shall establish a perma-
19 nent board to be known as the Animal Health Science Re-
20 search Advisory Board, composed of the following eleven
21 members—

22 (1) the Administrator of the Agricultural Research
23 Service of the Department of Agriculture;

24 (2) the Administrator of the Cooperative State Re-
25 search Service of the Department of Agriculture;

1 (3) the Administrator of the Animal and Plant
2 Health Inspection Service of the Department of Agricul-
3 ture;

4 (4) the Director of the Bureau of Veterinary Med-
5 icine of the Food and Drug Administration of the De-
6 partment of Health, Education, and Welfare;

7 (5) the following seven members appointed by the
8 Secretary—

9 (A) two persons representing accredited col-
10 leges of veterinary medicine,

11 (B) two persons representing State agricultural
12 experiment stations, and

13 (C) three persons representing national live-
14 stock and poultry organizations.

15 The members shall serve without compensation, if not other-
16 wise officers or employees of the United States; except that
17 while away from their homes or regular places of business in
18 the performance of services for the Advisory Board, members
19 of the Advisory Board shall be allowed travel expenses, in-
20 cluding per diem in lieu of subsistence, as authorized under
21 section 5703 of title 5 of the United States Code.

22 (b) The Advisory Board shall provide consultation
23 and advice to and assist the Secretary in administering this
24 subtitle.

25 (c) The Advisory Board shall meet at the call of the

1 Secretary, but at least once annually to advise the Secretary
2 with respect to the administration and implementation of
3 this subtitle and to recommend priorities for the conduct of
4 research programs authorized under this subtitle, under such
5 rules and procedures for conducting business as the Secre-
6 tary shall, in his discretion, prescribe.

7 (d) Nongovernmental members of the Advisory Board
8 shall be appointed for three-year terms and may be re-
9 appointed only after an absence from the Advisory Board
10 of at least three years: *Provided*, That their original ap-
11 pointments shall be for one, two, and three years, on a pro-
12 portional basis, and any person appointed for less than a
13 full term may be reappointed after the expiration of such
14 term for a successive appointment for a full three-year term.

15 (e) (1) The Advisory Board shall elect a Chairperson
16 from its membership, and the Chairperson shall serve for a
17 term of one year.

18 (2) The Chairperson of the Advisory Board shall serve
19 as a member of the Federal Food and Agricultural Re-
20 search Operations and Advisory Committee.

21 APPROPRIATIONS FOR CONTINUING ANIMAL HEALTH

22 RESEARCH PROGRAMS

23 SEC. 828. (a) Congress is hereby authorized to ap-
24 propriate funds annually in such amount as Congress
25 may determine necessary to support continuing animal health

1 research programs at eligible institutions. Funds appropriated
2 under this section shall be used to meet expenses of conduct-
3 ing animal health research, publishing and disseminating
4 the results of such research, contributing to the retirement
5 of employees subject to the provisions of the Act of
6 March 4, 1940 (54 Stat. 39, as amended; 7 U.S.C. 331),
7 administrative planning and direction, and to purchase equip-
8 ment and supplies necessary for conducting such research.

9 (b) Funds appropriated under subsection (a) of this
10 section for any fiscal year shall be apportioned as follows:

11 (1) Four per centum shall be retained by the
12 United States Department of Agriculture for adminis-
13 tration, program assistance to the eligible institutions,
14 and program coordination.

15 (2) Forty-eight per centum shall be distributed
16 among the several States to the eligible institutions in
17 each State in the proportion that the value of and income
18 to producers from domestic livestock and poultry in the
19 State where the eligible institution is located, bears to
20 the total value of and income to producers from domestic
21 livestock and poultry in the United States. The Secretary
22 shall determine the total value of and income from
23 domestic livestock and poultry and the proportionate
24 value of and income from domestic livestock and poultry
25 for each State, based on the most current inventory of

1 all cattle, sheep, swine, horses, and poultry, published
2 by the United States Department of Agriculture.

3 (3) Forty-eight per centum shall be distributed
4 among the eligible institutions of the several States in
5 proportion to the animal health research capacity of
6 the eligible institution or institutions in each State. The
7 Secretary shall determine the animal health research
8 capacity of an eligible institution, with the advice of
9 the Advisory Board.

10 (c) In those States with accredited colleges of veteri-
11 nary medicine, the deans of the accredited college or colleges
12 and the director of the State agricultural experiment sta-
13 tion for the State, shall develop a comprehensive animal
14 health research program based on the animal health research
15 capacity of each eligible institution in the State, which shall
16 be submitted to the Secretary for approval and shall be used
17 for the allocation of funds available for the State under this
18 section.

19 (d) Whenever a new college of veterinary medicine
20 is established in a State and is accredited, the Secretary,
21 after consultation with the dean of such college, and, where
22 applicable, deans of other accredited colleges in the State
23 in which the new college is established, and the director of
24 the State agricultural experiment station, shall provide for
25 the reallocation of funds available to institutions in the

1 State pursuant to subsection (b) (2) of this section between
2 the new college and other eligible institutions in the State,
3 based on the animal health research capacity of each eligible
4 institution.

5 (e) Whenever two or more States jointly establish
6 a regional college of veterinary medicine or jointly support
7 a college of veterinary medicine serving the States involved,
8 the Secretary is authorized to make funds available to such
9 institution pursuant to subsection (b) (2) of this section
10 in such amounts that reflect the combined relative value of
11 and income from livestock and poultry in the cooperating
12 States, such amount to be adjusted, as necessary, pursuant
13 to the provisions of subsections (c) and (d) of this section.

14 APPROPRIATIONS FOR RESEARCH ON NATIONAL OR

15 REGIONAL PROBLEMS

16 SEC. 829. (a) Congress is hereby authorized to appro-
17 priate funds annually in such amount as Congress may deter-
18 mine necessary to support research on specific national or
19 regional animal health problems. Funds appropriated under
20 this section shall be used to pay costs of conducting research
21 and other costs provided for in section 828 (a) of this title.

22 (b) Funds appropriated under this section shall be
23 allocated by the Secretary to eligible institutions for work
24 to be done, as mutually agreed upon between the Secretary
25 and the applicable eligible institution or institutions. The

1 Secretary shall consult the Advisory Board in developing
2 plans for the use of these funds.

3 AVAILABILITY OF APPROPRIATED FUNDS

4 SEC. 830. Funds available for allocation under the terms
5 of this subtitle shall be paid to each eligible institution at
6 such times and in such amounts as shall be determined by the
7 Secretary. Funds shall remain available for payment of un-
8 liquidated obligations for one additional fiscal year following
9 the year of appropriation.

10 WITHHOLDING OF APPROPRIATED FUNDS

11 SEC. 831. If the Secretary determines that an eligible
12 institution is not entitled to receive its allocation of the annual
13 appropriation because of its failure to satisfy requirements of
14 this subtitle or regulations issued under it, the Secretary shall
15 withhold such amount. The facts and reasons concerning the
16 determination and withholding shall be reported to the
17 President; and the amount involved shall be kept separate
18 in the Treasury until the close of the next Congress. If the
19 next Congress shall not direct such sum to be paid, it shall
20 be carried to surplus.

21 REQUIREMENTS FOR USE OF FUNDS

22 SEC. 832. (a) With respect to research projects on
23 problems of animal health to be performed at eligible institu-
24 tions and supported with funds allocated to the institutions
25 under this subtitle, the dean or director of each eligible insti-

1 tution shall cause to be prepared and shall review proposals
2 for such research projects, which contain data showing com-
3 pliance with the purpose in section 824 of this title and the
4 provisions for use of funds specified in section 828 (a) of this
5 title, and with general guidelines for project eligibility to
6 be provided by the Secretary with the advice of the Advisory
7 Board. Such research proposals that are approved by the
8 dean or director shall be submitted to the Secretary prior to
9 assignment of funds thereto with a brief summary showing
10 compliance with the purpose of this subtitle and the Secre-
11 tary's general guidelines.

12 (b) Each dean or director shall also submit an annual
13 report stating the accomplishments of research projects
14 funded under this subtitle on a project-by-project basis and
15 shall account for all funds allocated to the institution under
16 the provisions of this subtitle at such times and on such forms
17 as the Secretary shall prescribe. If any portion of the allotted
18 moneys received shall by any action or contingency be
19 diminished, lost, or misapplied, it shall be replaced by the
20 State concerned and until so replaced, no subsequent appro-
21 priation shall be allotted or paid to such institution.

22 MATCHING FUNDS

23 SEC. 833. The amount paid by the Federal Govern-
24 ment to any eligible institution for assistance under this
25 subtitle during any fiscal year, exclusive of the funds paid

1 for research on specific national or regional animal health
2 problems under the provisions of section 829 of this title,
3 shall be in an amount not to exceed \$100,000 in addition
4 to an amount not to exceed the amount available to and
5 budgeted for expenditure by such institution during the same
6 fiscal year for animal health research from non-Federal
7 sources. The Secretary is authorized to make such payments
8 in excess of \$100,000 on the certificate of the appropriate
9 official of the institution having charge of the animal health
10 research for which payments under this subtitle are to be
11 made. If any institution certified for receipt of matching
12 funds under this subtitle fails to make available and budget
13 for expenditure for animal health research in any fiscal year
14 sums at least as much as the amount for which it is certified,
15 the difference between the Federal matching funds available
16 and the funds made available and budgeted for expenditure
17 by the institution shall be reapportioned by the Secretary to
18 other eligible institutions of the same State if there be any
19 which qualify therefor, and, if there be none, the Secretary
20 shall reapportion such difference to the qualifying eligible
21 institutions of other States.

22 ALLOCATIONS UNDER THIS SUBTITLE NOT SUBSTITUTIONS

23 SEC. 834. The sums appropriated and allocated to eligi-
24 ble institutions under this subtitle shall be in addition to, and
25 not in substitution for, sums appropriated or otherwise made

1 available to such institutions pursuant to other provisions of
2 law.

3

RECORDS

4 SEC. 835. Each recipient of Federal assistance under this
5 subtitle, pursuant to grants, subgrants, contracts, subcon-
6 tracts, loans, or other arrangements, entered into other than
7 by formal advertising, and which are otherwise authorized
8 by this subtitle shall keep such records as the Secretary shall
9 prescribe, including records which fully disclose the amount
10 and disposition by such recipient of the proceeds of such as-
11 sistance, the total cost of the project or undertaking in con-
12 nection with which such assistance is given or used, the
13 amount of that portion of the cost of the project or undertak-
14 ing supplied by other sources, and such other records as will
15 facilitate an effective audit.

16

ACCESS TO RECORDS

17 SEC. 836. The Secretary of Agriculture and the Comp-
18 troller General of the United States, or any of their duly au-
19 thorized representatives, shall, until the expiration of three
20 years after completion of the project or undertaking referred
21 to in section 835 of this title, have access for the purpose
22 of audit and examination to any books, documents, papers,
23 and records of such recipients which in the opinion of the
24 Secretary or the Comptroller General may be related or per-

1 tinent to the grants, subgrants, contracts, subcontracts, loans,
2 or other arrangements referred to in section 835.

3 RULES AND REGULATIONS

4 SEC. 837. The Secretary is authorized to prescribe such
5 rules and regulations as the Secretary deems necessary to
6 carry out the provisions of this subtitle, and to furnish such
7 advice and assistance as will best promote the purposes of
8 this subtitle.

9 TITLE IX—PUBLIC LAW 480

10 CONFORMING AMENDMENT

11 SEC. 901. Section 103 (b) of the Agricultural Trade
12 Development and Assistance Act of 1954, as amended, is
13 amended by striking out "in section 106 (b) (2)" and insert-
14 ing in lieu thereof "in section 106 (b) (2) and section 112".

15 MODIFICATION OF TITLE I ALLOCATION FORMULA

16 SEC. 902. Section 111 of the Agricultural Trade Devel-
17 opment and Assistance Act of 1954, as amended, is amended,
18 by inserting "(a)" immediately after the section designa-
19 tion, and by adding at the end thereof a new subsection (b)
20 as follows:

21 "(b) If the President determines that the quantity of
22 commodities otherwise required to be allocated under sub-
23 section (a) of this section to countries with an annual per
24 capita gross national product of \$300 or less cannot be effec-

1 tively used to carry out the humanitarian purposes of this
2 title, the President may reallocate such commodities.”.

3 FACILITIES TO AID DISTRIBUTION AND CONSUMPTION
4 OF UNITED STATES FARM COMMODITIES

5 SEC. 903. Title I of the Agricultural Trade Develop-
6 ment and Assistance Act of 1954, as amended, is amended
7 by adding at the end thereof a new section 112 as follows:

8 “SEC. 112. (a) Notwithstanding any other provision
9 of this Act, the President is authorized to enter into com-
10 modity sales agreements with foreign countries or interna-
11 tional organizations, and to use foreign currencies, including
12 principal and interest from loan repayments, derived from
13 such sales for the purposes described in subsection (b) of
14 this section.

15 “(b) From the sales proceeds and loan repayments
16 under this title not less than the equivalent of 5 per centum
17 of the total value of all agreements shall be set aside and
18 made available to the Secretary of Agriculture to finance
19 projects, in cooperation with other appropriate agencies, that
20 will aid in the utilization, distribution, storage, transporta-
21 tion, or otherwise increase foreign consumption of and mar-
22 kets for all United States agricultural commodities: *Pro-*
23 *vided*, That the Secretary of Agriculture may release such
24 amounts so set aside as he determines cannot be effectively
25 used to carry out the purposes of this section.”.

1 (b) by striking out "or, in the case of landlocked
2 countries," ; and

3 (c) by inserting immediately after "points of
4 entry abroad" the following: "in the cases of (a) land-
5 locked countries, (b) where ports cannot be used effec-
6 tively because of natural or other disturbances, (c)
7 where carriers to a specific country are unavailable, or
8 (d) where a substantial savings in costs or time can be
9 effected by the utilization of points of entry other than
10 ports".

11 INCREASED APPROPRIATION LIMIT FOR TITLE II

12 SEC. 906. Section 204 of the Agricultural Trade De-
13 velopment and Assistance Act of 1954, as amended, is
14 amended by striking out "\$600,000,000" and inserting in
15 lieu thereof "\$900,000,000".

16 REVISION OF REPORTING REQUIREMENTS

17 SEC. 907. Section 408 of the Agricultural Trade Devel-
18 opment and Assistance Act of 1954, as amended, is amended
19 as follows:

20 (a) Subsection (b) is amended to read as follows:

21 "(b) Not later than July 1 of each calendar year, the
22 Secretary of Agriculture shall submit to Congress a global
23 assessment of food production and needs and planned pro-
24 gramming of food assistance for the coming fiscal year."

1 (b) Subsection (c) is amended by striking out "Presi-
2 dent" and inserting in lieu thereof "Secretary of Agriculture".

3 EXTENSION OF THE PROGRAM

4 SEC. 908. Section 409 of the Agricultural Trade Devel-
5 opment and Assistance Act of 1954, as amended, is amended
6 by striking out "1977" and inserting in lieu thereof "1982".

7 TITLE X—FOOD STAMPS

8 SHORT TITLE

9 SEC. 1001. This title may be cited as the "National
10 Food Stamp Reform Act of 1977".

11 DEFINITIONS

12 SEC. 1002. Section 3 of the Food Stamp Act of 1964,
13 as amended, is amended as follows:

14 (a) Subsection (e) is amended to read as follows:

15 "(e) The term 'household' means a group of individuals
16 who are sharing common living quarters, but who are not
17 residents of an institution or boardinghouse, and who have
18 access to cooking facilities and for whom food is customarily
19 purchased in common. Residents of federally subsidized
20 housing for the elderly, built under either section 202 of
21 the Housing Act of 1959 (12 U.S.C. 1701q) or section
22 236 of the National Housing Act (12 U.S.C. 1715z-1),
23 shall not be considered residents of an institution or board-
24 inghouse. The term 'household' also means (1) a single

1 individual living alone who has access to cooking facilities
2 and who purchases food for home consumption; (2) an
3 elderly person who meets the requirements of section 10 (h)
4 of this Act; or (3) any narcotics addict or alcoholic who
5 lives under the supervision of a private nonprofit organiza-
6 tion or institution for the purpose of regular participation in
7 a drug or alcoholic treatment and rehabilitation program.
8 Notwithstanding any other provision of this subsection,
9 households in which a member is eligible to participate in
10 the nutrition program for the elderly under title VII of the
11 Older Americans Act of 1965, or is authorized by section
12 10 (h) of this Act to use coupons for meals on wheels, shall
13 not be required to have cooking facilities.”.

14 (b) Subsection (f) is amended by striking out the
15 period at the end of the second sentence and inserting in lieu
16 thereof the following: “, or any private nonprofit coopera-
17 tive food purchasing venture in which the members pay for
18 food purchased prior to receipt of such food. Such private
19 nonprofit cooperative is authorized to redeem members’ food
20 coupons prior to receipt by the members of the food so pur-
21 chased. Organizations and institutions specified in section 10
22 (i) of this Act are not authorized to redeem coupons through
23 banks.”.

24 (c) Subsection (l) is amended to read as follows:

25 “(1) The term ‘elderly person’ means a person sixty

1 years of age or over who is not a resident of an institution or
2 boardinghouse.”.

3 (d) Section 3 is amended by adding at the end thereof
4 a new subsection (p) as follows:

5 “(p) The term ‘nutritionally adequate diet’ means a
6 diet having the value of the food required to feed a family
7 of four persons consisting of a man and a woman twenty
8 through fifty-four; a child six through eight; and a child
9 nine through eleven years of age, determined in accordance
10 with the thrifty food plan developed in 1975 by the Secre-
11 tary. The cost of such diet shall be the basis for uniform
12 coupon allotments for all households regardless of composi-
13 tion, except for household size adjustments and adjustments
14 to reflect economies of scale set forth in the thrifty food
15 plan.”.

16 DISTRIBUTION OF FEDERALLY DONATED FOODS

17 SEC. 1003. Section 4(b) of the Food Stamp Act of
18 1964, as amended, is amended to read as follows:

19 “(b) In areas where the food stamp program is in
20 operation, there shall be no distribution of federally donated
21 foods to households under the authority of any other law,
22 except that distribution may be made for such period of
23 time as the Secretary determines necessary to effect an
24 orderly transition on an Indian reservation on which the
25 distribution of federally donated foods to households is being

1 replaced by a food stamp program, or where distribution is
2 made on a temporary basis under separately authorized pro-
3 grams to meet disaster relief needs, or where distribution
4 is for the purposes of any supplemental food program.”.

5 ELIGIBLE HOUSEHOLDS

6 SEC. 1004. Section 5 of the Food Stamp Act of 1964, as
7 amended, is amended as follows:

8 (a) Subsection (b) is amended to read as follows:

9 “(b) (1) The Secretary shall establish uniform national
10 standards of eligibility for participation by households in the
11 food stamp program and no plan of operation submitted by
12 a State agency shall be approved unless the standards of
13 eligibility meet those established by the Secretary.

14 “(2) The income standards of eligibility in every State
15 shall be the nonfarm income poverty guidelines prescribed by
16 the Office of Management and Budget adjusted annually pur-
17 suant to section 625 of the Economic Opportunity Act of
18 1964, as amended (47 U.S.C. 2971d) for the forty-eight
19 States and the District of Columbia, Alaska, Hawaii, Puerto
20 Rico, the Virgin Islands of the United States, and Guam,
21 respectively: *Provided*, That in no event shall the standards
22 of eligibility for Puerto Rico, the Virgin Islands, and Guam
23 exceed those in the fifty States.

24 “(3) The Secretary shall utilize the thirty-day period
25 preceding the date of application or recertification in deter-

1 ining income for purposes of eligibility and benefit levels of
2 households: *Provided*, That a longer period may be used as
3 determined by the Secretary for households who regularly
4 derive their annual income in a period of time substantially
5 shorter than one year.

6 “(4) Notwithstanding the provisions of paragraph (3) of
7 this subsection, a household that has suffered a substantial loss
8 of earned income may immediately make application for par-
9 ticipation in the food stamp program. Such application shall
10 be processed in the same manner as that for other applicants
11 except for the determination of the applicant household’s
12 income. At the time of such application, members of the
13 household (who are not otherwise exempt) must register for
14 employment under subsection (c) of this section and shall
15 receive the same services under such subsection as any other
16 applicant. At the end of the thirty-day period after the loss
17 of income, the applicant household may present the verifica-
18 tion of its income to the certifying authority and such author-
19 ity shall issue the applicant household its authorization to
20 purchase card immediately thereafter. The certifying author-
21 ity shall verify the household’s eligibility again within thirty
22 days after the issuance of the authorization to purchase card.

23 “(5) The Secretary shall also prescribe additional
24 standards of eligibility with respect to the amounts of liquid
25 and nonliquid assets a household may own.

1 “(6) Household income for purposes of the food stamp
2 program shall be the gross income of the household, as
3 defined in paragraph (7) of this subsection, less (i) a
4 standard deduction of \$70 a month applicable to all house-
5 holds, except that the standard deduction for Puerto Rico,
6 the Virgin Islands, and Guam shall be \$35 a month; (ii)
7 an additional deduction of \$25 a month for any household
8 in which there is at least one elderly person, or any house-
9 hold which has at least \$150 a month in earned income; and
10 (iii) Federal, State, and local income taxes and social secu-
11 rity taxes paid by employees under the Federal Insurance
12 Contributions Act or mandatory retirement withholdings
13 under section 8334 of title 5, United States Code.

14 “(7) Notwithstanding any other provision of law, gross
15 income for purposes of the food stamp program shall include,
16 but not be limited to, all money payments (including pay-
17 ments made pursuant to title I of the Domestic Volunteer
18 Services Act of 1973 and Federal, State, and local income
19 tax refunds, and Federal income tax credits) and payments
20 in kind, excluding:

21 “(A) payments for medical costs made on behalf
22 of the household;

23 “(B) income received as compensation for services
24 performed as an employee or income from self-employ-
25 ment by a child residing with the household who is

1 a student and who has not attained his eighteenth
2 birthday;

3 “(C) payments received under title II of the Uni-
4 form Relocation Assistance and Real Property Acquisi-
5 tion Policies Act of 1970;

6 “(D) income of a household in a quarter which is
7 received too infrequently or irregularly to be reasonably
8 anticipated: *Provided*, That such infrequent or irregu-
9 lar income of all household members does not exceed
10 \$30 during any three-month period;

11 “(E) all loans, except deferred educational loans
12 to the extent they are not used for tuition and mandatory
13 fees at an institution of higher education or school for
14 the handicapped;

15 “(F) all scholarships, fellowships, grants, and vet-
16 erans' educational benefits, except to the extent they
17 are not used for tuition and mandatory fees at an insti-
18 tution of higher education or school for the handicapped;

19 “(G) training allowances to the extent they are
20 used for tuition and mandatory fees in a training pro-
21 gram recognized by any Federal, State, or local govern-
22 mental agency which is preparatory to or associated
23 with employment;

24 “(H) housing vendor payments made directly to

1 landlords under programs administered by the Depart-
2 ment of Housing and Urban Development;

3 “(I) payments received under the special supple-
4 mental food program for women, infants, and children
5 authorized by section 17 of the Child Nutrition Act;

6 “(J) vendor or in kind payments derived from
7 government benefit programs including, but not limited
8 to, school lunch, medicare, and elderly feeding programs,
9 and any payments in kind which cannot reasonably and
10 properly be computed;

11 “(K) any income that any other law specifically
12 excludes from consideration as income for the purposes
13 of determining eligibility for the food stamp program;
14 and

15 “(L) the cost of producing self-employed income.

16 “(8) The Secretary may also establish temporary
17 emergency standards of eligibility for the duration of the
18 emergency, without regard to income and other financial
19 resources, for households that are victims of a disaster which
20 disrupts commercial channels of food distribution when he
21 determines that (A) such households are in need of tempo-
22 rary food assistance, and (B) commercial channels of food
23 distribution have again become available to meet the tem-
24 porary food needs of such households.”.

25 (b) Subsection (c) is amended to read as follows:

1 “(c) (1) Notwithstanding any other provision of law,
2 the Secretary shall include in the uniform national standards
3 of eligibility to be prescribed under subsection (b) of this
4 section a provision that each State agency shall provide that
5 a household shall not be eligible for assistance under this Act
6 if it includes an able-bodied adult person between the ages
7 of eighteen and sixty (except a parent or other member of
8 the household who has the responsibility of care of a depend-
9 ent child under the age of twelve or of an incapacitated per-
10 son; a parent or other caretaker of a child or of an incapaci-
11 tated person in households where there is another able-bodied
12 parent who is subject to the requirements of this subsec-
13 tion; bona fide students (enrolled at least half-time) in any
14 school or training program recognized by any Federal, State,
15 or local governmental agency; or persons employed and
16 working at least thirty hours per week) who without good
17 cause—

18 “(A) fails to register for employment at a State
19 employment service office or, when impractical, at such
20 other appropriate State or Federal office designated by
21 the Secretary of Labor;

22 “(B) fails to inquire regularly about employment
23 with prospective employers or otherwise fails to engage
24 regularly in activities directly related to securing em-
25 ployment;

1 “(C) refuses to accept employment or public work
2 at not less than the highest of (i) the applicable State
3 minimum wage; (ii) the applicable Federal minimum
4 wage; (iii) the applicable rates established by a valid
5 regulation of the Federal Government authorized by
6 existing law to establish such regulations; or (iv) if
7 there is no applicable wage as described in subdivision
8 (i), (ii), or (iii) of clause (C) of this paragraph, a
9 wage which is not substantially less favorable than the
10 wage normally paid for similar work in that labor
11 market, but in no event less than three-fourths of the
12 Federal minimum wage rates specified in section 6 (a)
13 (1) of the Fair Labor Standards Act; or

14 “(D) voluntarily quits any job unless the house-
15 hold of which such person is a member was certified for
16 benefits under this Act immediately prior to such un-
17 employment.

18 “(2) In carrying out its responsibilities under this
19 subsection, the State employment service shall comply with
20 regulations issued jointly by the Secretary and the Sec-
21 retary of Labor. The regulations shall take into account
22 the diversity of the food stamp work registrant population
23 and varying registrant needs, and shall conform as closely
24 as possible to the policies of the work incentive program

1 as determined appropriate by the Secretary and the Sec-
2 retary of Labor.

3 “(3) In the event of a failure of the State employ-
4 ment service to comply with the regulations issued under
5 paragraph (2) of this subsection, the Secretary of Labor is
6 authorized to assume the responsibilities of such State em-
7 ployment service. From the sums appropriated to carry out
8 this Act, there are authorized to be allocated for transfer to
9 the Secretary of Labor (A) for fiscal year 1978 not more
10 than \$100,000,000 and (B) for each succeeding fiscal year
11 such sum as may be jointly determined by the Secretary and
12 the Secretary of Labor to be necessary for the Secretary of
13 Labor to carry out his responsibilities under this section.
14 The Secretary shall transfer such sums as are allocated
15 for transfer to the Secretary of Labor. The Secretary of
16 Labor is authorized to make grants to, and enter into agree-
17 ments with, public or private agencies or organizations in
18 order to carry out his responsibilities under this Act.

19 “(4) Refusal to work at a plant or site subject to a
20 strike or lockout for the duration of such strike or lockout
21 shall not be deemed to be a refusal to accept employment.

22 “(5) For the purposes of this section, the term ‘able-
23 bodied adult person’ shall not include any narcotics addict
24 or alcoholic who regularly participates, as a resident or

1 nonresident, in any drug addiction or alcoholic treatment
2 and rehabilitation program for whom the chief administra-
3 tive officer of the rehabilitation program has certified in writ-
4 ing to the State agency that the work registration require-
5 ment would interfere with rehabilitation.

6 “(6) The exception provided in paragraph (1) with
7 respect to bona fide students shall not apply in the case
8 of any student during any period such student is not attend-
9 ing the school or training program in which he is enrolled
10 because of a break in the school year (or between school
11 years) or training programs if the duration of such break
12 is thirty days or more.”

13 (c) Section 5 is amended by adding at the end thereof
14 new subsections (e) through (j) as follows:

15 “(e) No individual shall be eligible to participate in
16 the food stamp program unless he is a resident of the United
17 States, and is either (1) a citizen or (2) an alien lawfully
18 admitted for permanent residence or otherwise permanently
19 residing in the United States under color of law (including
20 any alien who is lawfully present in the United States as a
21 result of the application of the provisions of section 203 (a)
22 (7) or section 212 (d) (5) of the Immigration and Nation-
23 ality Act). If, in the application process it becomes known,
24 or the State agency has reason to believe, that an alien has
25 entered or remained in the United States illegally, the State

1 agency shall submit to the Department of Justice information
2 indicating that the applicant may be an illegal alien.

3 “(f) No household shall be eligible to participate, or to
4 continue to participate, in the food stamp program, if it
5 refuses to submit to the State agency necessary information
6 for a determination as to the household’s eligibility to par-
7 ticipate in the program. No household shall be eligible to
8 participate in the food stamp program for a period of up to
9 one year after it has been found either by a court of appro-
10 priate jurisdiction to have been guilty of a crime involving
11 fraud in connection with its participation in the food stamp
12 program, or by a State agency, after hearing and notice, to
13 have fraudulently obtained coupons.

14 “(g) The Secretary shall require every participating
15 household (except those participating households in States
16 which implement, at State option, a monthly reporting of
17 changes in the household’s circumstances, including, but not
18 limited to, income, household size, and resources) that
19 experiences changes affecting its eligibility or benefit status
20 to report to the State agency, within ten days of the date
21 upon which such changes become known to the household,
22 any change in monthly income in excess of \$25 and any
23 other change deemed appropriate by the Secretary. If a
24 household fails to fulfill this reporting requirement, or fails
25 to report a change as part of its monthly report in a State

1 which implements monthly client reporting, its coupon allot-
2 ment for the next certification period shall be reduced to re-
3 flect the impact of the changes at the time when they should
4 have been reported.

5 “(h) No individual shall be considered a household
6 member for food stamp program purposes if such individual
7 (1) has reached his eighteenth birthday; (2) is enrolled in
8 an institution of higher education, and (3) is properly
9 claimed or could properly be claimed as a dependent child
10 for Federal income tax purposes by a taxpayer who is not
11 a member of an eligible household.

12 “(i) No household that knowingly transfers liquid or
13 nonliquid assets for the purpose of qualifying or attempting
14 to qualify for the food stamp program shall be eligible to
15 participate in the program for such period of time as may
16 be determined in accordance with regulations issued pursuant
17 to this Act, but in no event shall such period of time be less
18 than thirty days from the date of discovery of the transfer.

19 “(j) No individual who receives supplemental security
20 income benefits under title XVI of the Social Security Act,
21 State supplementary payments described in section 1616 of
22 such Act, or payments of the type referred to in section 212
23 (a) of Public Law 93-66, as amended, shall be considered
24 to be a member of a household or an elderly person for pur-
25 poses of this Act for any month, if, for such month, such

1 individual resides in a State which provides State supplement-
2 ary payments (1) of the type described in section 1616 (a)
3 of the Social Security Act, and (2) the level of which has
4 been found by the Secretary of Health, Education, and Wel-
5 fare to have been specifically increased so as to include the
6 bonus value of food stamps.”.

7 VALUE OF THE COUPON ALLOTMENT AND CHARGES
8 TO BE MADE

9 SEC. 1005. Section 7 of the Food Stamp Act of 1964,
10 as amended, is amended as follows:

11 (a) Subsection (a) is amended to read as follows:

12 “(a) The face value of the coupon allotment which
13 State agencies shall be authorized to issue to any households
14 certified as eligible to participate in the food stamp program
15 shall be in such amount as will provide such households a
16 coupon allotment sufficient to allow them to purchase a
17 nutritionally adequate diet as defined in section 3 (p) of
18 this Act: *Provided*, That in no event shall the face value
19 of the coupon allotments used in Puerto Rico, the Virgin
20 Islands, and Guam exceed those in the fifty States. The
21 face value of the coupon allotment shall be adjusted semi-
22 annually by the nearest dollar increment that is a multiple
23 of two to reflect changes in the prices of food published
24 by the Bureau of Labor Statistics in the Department of
25 Labor. Such changes shall be made in January and July

1 of each year based upon the cost of food in the preceding
2 August and February, respectively. In no event shall such
3 adjustments be made for households of a given size unless
4 the increase in the face value of the coupon allotment for
5 such households, as calculated in accordance with this sub-
6 section, is a minimum of \$2.”

7 (b) Subsection (b) is amended to read as follows:

8 “(b) Households shall be charged for the coupon allot-
9 ment issued to them, and the amount of such charge shall be
10 27.5 per centum of the household’s income, as determined in
11 accordance with section 5 (b) of this Act: *Provided*, That for
12 single-person households and two-person households the mini-
13 mum benefit shall be \$10 per month. The Secretary shall
14 insure that each eligible household receives four authoriza-
15 tion to purchase cards in a timely manner at the outset of
16 each month in which it is eligible so that it can continue to
17 purchase food with the use of coupons without interruption,
18 each card shall represent one-fourth of that household’s
19 monthly coupon allotment.”

20 (c) Subsection (d) (5) (A) is amended by inserting
21 the words “, which may include the State agency” immedi-
22 ately after the word “designee”.

23 (d) Subsection (d) (6) is amended by striking out “or
24 his designee,”.

1 ADMINISTRATION

2 SEC. 1006. Section 10 of the Food Stamp Act of 1964,
3 as amended, is amended as follows:

4 (a) Subsection (a) is amended by inserting "(1)"
5 immediately after the subsection designation and adding at
6 the end thereof a new sentence and a new paragraph (2)
7 as follows: "To encourage the purchase of nutritious foods,
8 the Extension Service of the Department of Agriculture,
9 with the technical assistance of the Food and Nutrition Serv-
10 ice, shall extend its food and nutrition education program to
11 the greatest extent possible to reasonably reach food stamp
12 program recipients. The program shall be further supple-
13 mented by the development of printed materials designed
14 to teach low-income persons how to buy and prepare more
15 nutritious and economical meals. From the funds appropri-
16 ated to carry out this Act, the Secretary is authorized to
17 allocate to the Extension Service such sums as the Secretary
18 determines necessary to implement the program of nutrition
19 education.

20 "(2) Federal agencies that administer programs for
21 needy people, including, but not limited to, supplemental
22 security income and social security programs, shall make
23 every reasonable attempt to inform recipients of those pro-
24 grams (who are potentially eligible for the food stamp

1 program) of the existence of the food stamp program and
2 its income and resource guidelines.”.

3 (b) Subsection (e) is amended by revising clause (5)
4 to read as follows: “(5) that the State agency shall under-
5 take effective action, including the use of services pro-
6 vided by other federally funded agencies and organizations,
7 to inform low-income households concerning the availability
8 and benefits of the food stamp program;”.

9 (c) Subsection (e) is further revised (1) by inserting
10 in clause (7) after the word “law”, the following: “, and
11 at the option of the State agency”; (2) by deleting “and”
12 preceding clause (8) and striking the period at the end of
13 clause (8); and (3) by adding the following new clauses
14 (9) and (10): “; (9) for the prompt payment to house-
15 holds of the bonus value of any coupon allotment which has
16 been wrongfully denied, delayed, or terminated as a result
17 of any administrative error on the part of the State agency:
18 *Provided*, That application for such payment shall be filed
19 not later than three months after the household has knowl-
20 edge of such error and any such payment shall not exceed
21 the bonus value of any such coupon allotment to which the
22 household is determined to be entitled for a three month
23 period: *Provided further*, That the period for which such
24 coupon allotment may be paid shall be extended by such
25 time, in excess of three months, as may be required to com-

1 plete administrative review of the alleged wrongful denial;
2 and (10) the institution of procedures under which the
3 State agency shall undertake effective action to (A) deter-
4 mine promptly the eligibility of applicant households by
5 providing an opportunity for each household to receive and
6 file an application for participation in the food stamp pro-
7 gram on the same day of such household's first reasonable
8 attempt to make an oral or written request for such applica-
9 tion, and (B) complete the certification of all eligible house-
10 holds and provide an authorization to purchase card to such
11 households not later than thirty days after the filing of such
12 applications.”.

13 (d) Subsection (f) is amended to read as follows:

14 “(f) (1) If the Secretary determines that in the admin-
15 istration of the program there is a failure by a State agency
16 to comply with the provisions of this Act, or with the regu-
17 lations issued pursuant to this Act, or with the State plan
18 of operation, he shall inform such State agency of such failure
19 and allow the State agency a specified period of time for the
20 correction of such failure. If the State agency does not correct
21 such failure within the specified period of time, the Secretary
22 may alternatively or concurrently (A) refer the matter to
23 the Attorney General with a request that an injunction be
24 sought to require compliance by the State agency and, at the
25 suit of the Attorney General in an appropriate United States

1 district court the State agency may be so enjoined, or (B)
2 direct that there be no further issuance of coupons in the po-
3 litical subdivisions where such failure has occurred until such
4 time as satisfactory corrective action has been taken.

5 “(2) If any State fails substantially to carry out the
6 State plan of operation under section 10 (e) of this Act
7 (including any quality control plan) approved by the Secre-
8 tary for such State for such year, the Secretary shall withhold
9 from the State an amount equal to 10 per centum of the funds
10 which would otherwise be payable to such State under section
11 15 (b) for such fiscal year for administrative expenses.”.

12 (e) Subsection (g) is amended by striking out the word
13 “gross” in the first sentence thereof.

14 (f) Subsection (h) is amended by striking out the first
15 sentence and inserting in lieu thereof the following: “Subject
16 to such terms and conditions as may be prescribed by the
17 Secretary in the regulations issued pursuant to this Act,
18 household members who are elderly, housebound, feeble,
19 physically handicapped, or otherwise disabled, to the extent
20 that they are unable to prepare adequately all of their
21 meals, may use coupons issued to them to purchase meals pre-
22 pared for and delivered to them by a political subdivision or
23 by a private nonprofit organization which (1) is operated
24 in a manner consistent with the purposes of this Act; and

1 (2) is recognized as a tax-exempt organization by the
2 Internal Revenue Service.”.

3 (g) Subsection (i) is amended by striking out “, (2)
4 and (3)” in the first sentence thereof and inserting in lieu
5 thereof “and (2)”.

6 (h) Section 10 is amended by adding at the end thereof
7 new subsections (j) and (k) as follows:

8 “(j) The Secretary, in conjunction with the Secretary
9 of Health, Education, and Welfare, is authorized to prescribe
10 regulations permitting applicants and recipients of supple-
11 mental security income benefits under title XVI of the Social
12 Security Act to apply for food stamps at supplemental secu-
13 rity income certification offices. In accordance with the reg-
14 ulations issued by the Secretary, certification of food stamp
15 eligibility in such offices shall be conducted by State agency
16 personnel, and employees of the Social Security Administra-
17 tion in such offices shall refer supplemental security income
18 applicants and recipients to the appropriate State agency per-
19 sonnel in order that the application and certification for food
20 stamp assistance may be accomplished as efficiently and con-
21 veniently as possible.

22 “(k) In areas where there are numerous persons who
23 speak a language other than English, multilingual personnel

1 and printed material shall—where necessary—be used in the
2 administration of the food stamp program.”.

3 SETTLEMENT AND ADJUSTMENT OF CLAIMS

4 SEC. 1007. Section 12 of the Food Stamp Act of 1964,
5 as amended, is amended by adding at the end thereof the
6 following new sentence: “Such claims include, but are not
7 limited to, claims arising from fraudulent and nonfraudulent
8 overissuances to recipients.”.

9 CRIMINAL PENALTIES

10 SEC. 1008. Subsections (b) and (c) of section 14 of the
11 Food Stamp Act of 1964, as amended, are amended by
12 striking out “\$5,000” and inserting in lieu thereof “\$1,000”.

13 ADMINISTRATIVE EXPENSES

14 SEC. 1009. Section 15 of the Food Stamp Act of 1964,
15 as amended, is amended as follows:

16 (a) Subsection (b) is amended—

17 (1) by striking out “The” and inserting in lieu
18 thereof the following: “Except as provided in subsection

19 (c) of this section, the”; and

20 (2) by inserting at the end of clause (1) and
21 immediately before the semicolon the following: “, ex-
22 clusive of those households in which all members are
23 receiving cash assistance under part A of title IV of the
24 Social Security Act”.

1 (b) Section 15 is amended by adding at the end thereof
2 new subsections (c) and (d) as follows:

3 “(c) Notwithstanding any other provision of this Act,
4 the Secretary is authorized to pay to each State agency an
5 amount equal to 75 per centum of all direct costs of State
6 food stamp program investigations, prosecutions, and State
7 activities related to recovering losses sustained in the food
8 stamp program, except for the costs of such activities with
9 respect to households in which all members are receiving
10 cash assistance under part A of title IV of the Social
11 Security Act.

12 “(d) Notwithstanding any other provision of this Act,
13 the administrative costs incurred by a State plan for aid and
14 services to needy families with children, approved under
15 part A of title IV of the Social Security Act, in conducting
16 public assistance withholding procedures under section 10 (e)
17 (7) of this Act shall be paid from funds appropriated to
18 carry out this Act.”.

19 **APPROPRIATIONS**

20 SEC. 1010. Subsection (a) of section 16 of the Food
21 Stamp Act of 1964, as amended, is amended by striking out
22 “June 30, 1977” and inserting in lieu thereof “Septem-
23 ber 30, 1982”.

1 PILOT PROJECT AUTHORITY; EARNINGS CLEARANCE
2 SYSTEM STUDY; ASSETS STUDY

3 SEC. 1011. The Food Stamp Act of 1964, as amended,
4 is amended by adding at the end thereof new sections 18
5 through 21 as follows:

6 “PILOT PROJECT AUTHORITY

7 “SEC. 18. In carrying out the provisions of this Act,
8 the Secretary is authorized to carry out on a trial basis, in
9 one or more areas of the United States, but in no event for
10 more than 10 per centum of the participating population
11 of any State, experimental projects for purposes of increasing
12 the program's efficiency and delivery of benefits to eligible
13 households. Except for the pilot project required by section
14 21 of this Act, no project shall be implemented which would
15 lower or further restrict the resource and income limitations,
16 or increase the purchase requirement, provided for under this
17 Act.

18 “STUDY OF EARNINGS CLEARANCE SYSTEM

19 “SEC. 19. The Secretary is authorized and directed to
20 conduct a study of the feasibility and advisability of the
21 establishment of an earnings clearance system (which sys-
22 tem shall be consistent with the Privacy Act of 1974 (5
23 U.S.C. 552a), insofar as it provides for the use of informa-
24 tion from records of Federal agencies, and with any other
25 applicable privacy law insofar as it provides for the use of

1 information from non-Federal records) for the purpose of
2 checking the actual income and assets of a household against
3 those reported by such household. The Secretary shall sub-
4 mit a written report to the Congress within one year after
5 the date of enactment of this section, disclosing the results of
6 such study. The report shall include such explanations and
7 comments as the Secretary deems appropriate.

8 "ASSETS STUDY

9 "SEC. 20. The Secretary shall conduct a survey of house-
10 holds participating in the food stamp program for the pur-
11 pose of determining the average assets and distribution of
12 assets held by participants. The Secretary shall submit a
13 written report to the Congress within one hundred and
14 eighty days after the date of enactment of this section, dis-
15 closing the results of such survey. The report shall include
16 such explanations and comments as the Secretary deems
17 appropriate.

18 "PILOT PROJECT ON ELIMINATION OF PURCHASE

19 REQUIREMENT

20 "SEC. 21. Within ninety days after the date of enact-
21 ment of this section, the Secretary shall implement a pilot
22 project testing the effect of elimination of the purchase re-
23 quirement specified in section 6 of this Act. Such project
24 shall be carried out in a statistically significant number of
25 project areas, or parts of project areas, not fewer than ten,

1 in geographically dispersed urban and rural regions, and
2 shall employ a benefit reduction ratio of not higher than 30
3 per centum of household income. Not later than March 1,
4 1978, the Secretary shall report to the Congress on the
5 progress of such project, including statistical information on
6 participation rates, changes in food consumption patterns,
7 impact on benefit costs and administrative costs, and other
8 observations and recommendations which he may deem
9 appropriate. From the sums appropriated to carry out this
10 Act, the Secretary is authorized to allocate not more than
11 \$20,000,000 to carry out his responsibilities under this
12 section.”.

13 CONFORMING AMENDMENTS

14 SEC. 1012. (a) Section 3 (b) and section 4 (c) of
15 Public Law 93-86 are repealed.

16 (b) The last sentence of section 416 of the Act of
17 October 31, 1949 (as added by section 411 (g) of Public
18 Law 92-603), is repealed.

19 (c) Section 8 (c) of Public Law 93-233 is amended
20 by striking out “section 3 (e) of the Food Stamp Act of 1964
21 (as amended by subsection (a) of this section)” and insert-
22 ing in lieu thereof “section 5 (j) of the Food Stamp Act of
23 1964, as amended.”.

24 (d) Section 8 (f) of Public Law 93-233 is amended by
25 striking out everything through “during such period,” and

1 inserting in lieu thereof "The amendment made by subsec-
2 tion (e) shall not".

3 ESTABLISHMENT OF ADDITIONAL ASSISTANT SECRETARY
4 OF AGRICULTURE

5 SEC. 1013. (a) There shall be hereafter in the Depart-
6 ment of Agriculture, in addition to the Assistant Secretaries
7 now provided by law, an Assistant Secretary of Agriculture
8 with jurisdiction for food and nutrition programs who
9 shall (1) be appointed by the President, by and with the
10 advice and consent of the Senate, and (2) receive compen-
11 sation at the rate now or hereafter prescribed by law for
12 Assistant Secretaries of Agriculture.

13 (b) Section 5315 of title 5 of the United States Code
14 is amended by striking out "(5)" at the end of paragraph
15 (11) and by inserting in lieu thereof "(6)".

16 TITLE XI—RURAL DEVELOPMENT

17 Subtitle A—Rural Community Fire Protection Program

18 DISPOSITION OF SURPLUS FEDERAL PROPERTY TO RURAL
19 FIRE FORCES

20 SEC. 1101. Section 402 of the Rural Development Act
21 of 1972 (7 U.S.C. 2652) is amended by inserting "(a)"
22 before the first sentence and by adding at the end thereof
23 new subsections (b) and (c) as follows:

24 "(b) The Secretary, with cooperation and assistance
25 from the Administrator of General Services, shall encourage

1 the use of excess personal property (within the meaning of
2 the Federal Property and Administrative Services Act of
3 1949) by rural fire forces receiving assistance under this
4 title.

5 “(c) To promote maximum program effectiveness and
6 economy, the Secretary shall closely coordinate the assist-
7 ance provided under this title with assistance provided under
8 other fire protection and rural development programs admin-
9 istered by the Secretary.”

10 REPORTS TO CONGRESS

11 SEC. 1102. Section 403 of the Rural Development Act
12 of 1972 (7 U.S.C. 2653) is amended by (1) striking out
13 “REPORT.—” and inserting in lieu thereof “REPORTS.—
14 (a)”; and (2) adding at the end thereof new subsection
15 (b) as follows:

16 “(b) Not later than March 1 of each year, beginning
17 in the calendar year 1978, the Secretary of Agriculture shall
18 submit a report to the Congress regarding the operation,
19 during the preceding fiscal year, of the program provided for
20 under this title. The Secretary shall include in such report the
21 number of applications for assistance filed by each State
22 during such fiscal year, the number of such applications ap-
23 proved by the Secretary, the amounts allocated to each State
24 and the purposes for which such allocations were made. The
25 Secretary shall also include in the report any comments

1 and recommendations for improving the program he deems
2 appropriate.”.

3 EXTENSION OF APPROPRIATIONS AUTHORITY

4 SEC. 1103. Section 404 of the Rural Development Act of
5 1972 (7 U.S.C. 2654) is amended by adding at the end
6 thereof the following new sentence: “There is further au-
7 thorized to be appropriated to carry out the provisions of
8 this title not to exceed \$7,000,000 for each of the fiscal
9 years ending September 30, 1978, September 30, 1979, and
10 September 30, 1980.”.

11 Subtitle B—Congressional Approval of Watershed Projects

12 SEC. 1104. The Watershed Protection and Flood Pre-
13 vention Act, as amended, is amended as follows:

14 (a) Section 2(3) is amended by striking out
15 “\$250,000” and inserting in lieu thereof “\$750,000”.

16 (b) Section 5(3) is amended by striking out
17 “\$250,000” and inserting in lieu thereof “\$750,000”.

18 (c) Section 5(4) is amended by striking out
19 “\$250,000” and inserting in lieu thereof “\$750,000”.

20 Subtitle C—Congressional Approval of Resource Conserva-
21 tion and Development Project Loans

22 SEC. 1105. The third sentence of section 32 (e) of title
23 III of the Bankhead-Jones Farm Tenant Act, as amended
24 (7 U.S.C. 1011 (e)), is amended by striking out “\$250,-
25 000” and inserting in lieu thereof “\$500,000”.

94

1 TITLE XII—EXTENSION OF THE FEDERAL IN-
2 SECTICIDE, FUNGICIDE, AND RODENTICIDE
3 ACT

4 SCIENTIFIC ADVISORY PANEL

5 SEC. 1201. Section 25 of the Federal Insecticide, Fungi-
6 cide, and Rodenticide Act, as amended (7 U.S.C. 136w),
7 is amended by adding at the end of subsection (d) a new
8 sentence as follows: "The advisory panel established by this
9 subsection shall be permanent."

10 EXTENSION OF FEDERAL INSECTICIDE, FUNGICIDE, AND
11 RODENTICIDE ACT

12 SEC. 1202. Section 27 of the Federal Insecticide, Fun-
13 gicide, and Rodenticide Act, as amended (7 U.S.C. 136y),
14 is amended by striking out "and for the period beginning
15 October 1, 1976, and ending March 31, 1977, the sum of
16 \$23,600,000." and inserting the following: "and for the
17 period beginning October 1, 1976, and ending September 30,
18 1977, the sum of \$37,000,000. There are hereby authorized
19 to be appropriated for the fiscal year ending September 30,
20 1978, the sum of \$65,000,000; for the fiscal year ending
21 September 30, 1979, the sum of \$70,000,000; and for the
22 fiscal year ending September 30, 1980, the sum of
23 \$75,000,000."

1 TITLE XIII—MISCELLANEOUS PROVISIONS

2 INCLUSION OF AQUACULTURE AND HUMAN NUTRITION
3 AMONG THE BASIC FUNCTIONS OF THE DEPARTMENT
4 OF AGRICULTURE

5 SEC. 1301. (a) Section 520 of the Revised Statutes (7
6 U.S.C. 2201) is amended by striking out the phrase “agri-
7 culture and rural development” and inserting in lieu thereof
8 the phrase “agriculture, rural development, marine and fresh
9 water aquaculture, and human nutrition”.

10 (b) Subsection (a) of section 526 of the Revised
11 Statutes (7 U.S.C. 2204(a)) is amended by striking out
12 the phrase “agriculture and rural development” and inserting
13 in lieu thereof the phrase “agriculture, rural development,
14 marine and fresh water aquaculture, and human nutrition”.

15 BEEKEEPER INDEMNITY PROGRAM

16 SEC. 1302. Section 804(f) of the Agricultural Act of
17 1970, as amended, is amended by striking out “December 31,
18 1977” and inserting in lieu thereof “December 31, 1982”.

19 MULTIYEAR SET-ASIDE CONTRACTS

20 SEC. 1303. Section 1005 of the Agricultural Act of
21 1970 is amended by striking out “1977” and inserting in
22 lieu thereof “1982”, and by striking out “1974 through
23 1978” and inserting in lieu thereof “1974 through 1982”.

1 COMMODITY DISTRIBUTION PROGRAM

2 SEC. 1304. Section 4 (a) (2) of the Agriculture and
3 Consumer Protection Act of 1973, as amended, is amended
4 by striking out "two", and by striking out "July 1, 1975, and
5 ending September 30, 1977" and inserting in lieu thereof
6 "July 1, 1975, and ending September 30, 1982".

7 RESCUE OPERATIONS BY THE SECRETARY OF AGRICULTURE
8 ON NATIONAL FOREST SYSTEM LANDS

9 SEC. 1305. Section 3 of the Act of May 27, 1930 (46
10 Stat. 387; 16 U.S.C. 575), is amended to read as follows:

11 "SEC. 3. (a) The Secretary of Agriculture is authorized
12 in cases of emergency to utilize personnel and equipment and
13 incur such expenses as may be necessary in—

14 " (1) searching for persons lost within the National
15 Forest System;

16 " (2) providing emergency medical services for per-
17 sons seriously ill or injured within the National Forest
18 System and while in transit to the nearest medical
19 facility;

20 " (3) transporting persons seriously ill or injured
21 within the National Forest System to the nearest medi-
22 cal facility or to the nearest place where the sick or
23 injured person may be transferred to interested parties
24 or local authorities; and

25 " (4) transporting persons who die within the Na-

1 tional Forest System to the nearest place where the body
 2 may be transferred to interested parties or local authori-
 3 ties.

4 “(b) The Secretary of Agriculture may cooperate with
 5 any State or political subdivision thereof in conducting activi-
 6 ties under this section, and he may reimburse cooperators
 7 under terms of a written agreement for expenditures incurred
 8 in connection with services and materials provided under this
 9 section.

10 “(c) There are authorized to be appropriated such
 11 amounts as may be necessary to carry out the provisions of
 12 this section.”.

13 OTHER RESCUE OPERATIONS BY THE SECRETARY OF
 14 AGRICULTURE IN CASES OF EMERGENCY

15 SEC. 1306. (a) The Secretary of Agriculture is author-
 16 ized, when called upon by local or State authorities, in cases
 17 of emergency, to utilize personnel and equipment and incur
 18 such expenses as may be necessary in—

- 19 (1) searching for lost persons;
- 20 (2) providing emergency medical services for
 21 persons seriously ill or injured at the place where such
 22 persons are located and while in transit to the nearest
 23 medical facility;
- 24 (3) transporting persons seriously ill or injured
 25 to the nearest medical facility or to the nearest place

1 where the sick or injured person may be transferred to
2 interested parties or local authorities; and

3 (4) transporting dead persons to the nearest place
4 where the body may be transferred to interested parties
5 or local authorities.

6 (b) There are authorized to be appropriated such
7 amounts as may be necessary to carry out the provisions of
8 this section.

Senator McGOVERN. I think that is all that needs to be said in the way of preliminary remarks. Our opening witness today is our secretary of agriculture in South Dakota, Mr. Robert Duxbury, who has been involved in agriculture all of his life. Members of his family have been on the land for a good many years and, Bob, we are very happy to have you as a leadoff witness this morning.

STATEMENT OF HON. ROBERT DUXBURY, SECRETARY OF AGRICULTURE, STATE OF SOUTH DAKOTA, PIERRE, S. DAK.

Mr. DUXBURY. Thank you, Senator, ladies and gentlemen, I would like to compliment you, Senator for bringing this opportunity for input into the 1977 farm bill. These are trying times in South Dakota as you know and we appreciate your efforts to come here and to take time for these hearings.

Jefferson termed agriculture as the most precious of all arts and in 1977 I think we can add to this the most delicate as we look at the world food situation, the perils of drought, the increasing cost of production and the continuing fluctuations that we have had in the marketplace in the past few years. These have all created an atmosphere of risk for farmers and ranchers which requires utmost care and precision of those who deal with the economic survival of this industry. We are hopeful that an inner cooperation among the members which make up the agriculture committee from the individual farmers to the Federal leadership in preparing the 1977 farm bill and other crucial legislation will exemplify care and precision.

The goal of the 1977 farm bill and associated legislation, as I see it, is not merely to provide a bandage to some of the hurts that we have in agriculture; rather it should be a method of providing a system of approached design to make the whole of agriculture and improving a dynamic industry capable of fulfilling its ability as a source of national strength. As you know, in South Dakota our first concern at this time is the drought disaster. However, we all realize that not all of our financial problems in agriculture here in South Dakota are related to the drought. We look at the low prices that we have had for all farm products for the past 2 years, especially in the livestock industry. We see that they have been depleting much of our net worth in our agriculture industry. Many of our farmers and ranchers have made desperate attempts to maintain part of their foundation herds. Some as you know have been forced to sell all of their cattle. Others have reduced their numbers to very low levels. Many times they have sold their cows for \$200 to \$250 and received only enough money to purchase feed to keep one cow. Certainly if the prices were doubled, and it would not be out of line, we could maintain a larger number of the cattle in the State.

Above all I hope that all of us in the agricultural community and the Nation as a whole will bear in mind that the thinking and planning that goes into this 1977 farm bill is not an act of self-interest of the agricultural industry; quite the contrary. To meet the obligation of feeding 240 million Americans and countless millions of world citizens the agricultural community of this Nation requires economic stability. All of us need to realize that our problems inter-

relate with all the other national problems. Our first concern is that our agricultural policy and the input and the responsibility for sharing in the matters of agricultural policy and in planning, administering matters of policy in isolation is no longer a proper approach. Allowing many decisions to remain in the hands of the few people without the benefit of public input was a key factor in producing our present situation of diminished foreign markets and national surpluses in some farm commodities. The net result of this style of decisionmaking not only hurts the economic health of agriculture but it hurts our total economy.

Another objective that we should focus on is the concept of some type of land reserve in times of excessive production or severe weather conditions. Land, which is our sole source of most of the new wealth of this Nation, is far too important a factor to overlook in a national food and agriculture policy. There are many factors to consider in this area. A great deal of study and research may be needed prior to action, but there are several avenues that need to be explored. Closely associated with this concept is that of conservation. And in times of drought it's a—it is a greater consideration than ever. We need continued emphasis on programs such as the Great Plains conservation program; programs in the ASCS such as deferred grazing. We need to look at these programs toward rehabilitating lands through Federal participation and we need to be mindful that maintaining soil quality and water supply are the very heart of our agricultural enterprise.

At this time, as I mentioned before, I think one of the best programs that we could have to help South Dakota farmers and ranchers is a deferred grazing program where some of our pasture lands will be idle. This is both a good conservation program as well as a good drought relief program.

We have had a lot of discussion on grain reserves. I believe that we can develop a program of national grain reserves that would offer some stability to our markets, would leave the grain in the hands of the farmers and would also assure our country of a reliable supply. In short, it's time for agriculture to form a new partnership between local, State and Federal segments of the agricultural community. In addition, these times also cry for a sharing of responsibility for administering these programs. The flexibility that is demanded by the ever-changing conditions within this industry can only be achieved by entrusting a portion of the administrative procedure to leaders on a local and State level. Entities including our State Department of Agriculture, ASCS committees, soil conservation service, State cooperative extension and research and the farmer's home administration committees are ready-built mechanisms for this purpose. Federal authority should utilize this talent.

Among other important objectives for your consideration is that of overhauling target and loan prices. It is most obvious that crop risks are not unique to producers of only wheat and feed grains, and it seems logical that a form of protection should be extended to all crops and all agricultural regions. Acreage allotments must be updated and extended to all types of crops and the farmer should be given flexibility to choose cropping patterns which reflect the current

trends as well as the current weather conditions. Target prices, as you know, have been a built-in obsolescence factor. While there are current provisions for updating them according to the market, the Secretary of Agriculture or the Food and Agricultural Board should have the flexibility of reviewing these target prices regularly.

Another important objective is minimizing national risk and because we have not yet learned to control nature we can only attempt to assist in the recovering from its damages. We need a crop insurance program that covers all the crops in all areas and it should be one which offers genuine help through adequate payments. It also should provide a minimum or a premium level for high-risk areas in crops which does not penalize those of lesser risk. It further should provide for the waiver or reduction of premium levels for farmers and ranchers who can prove prolonged economic stress and inability to pay. I believe it is questionable if we can expect an insurance policy to cover all the needs that occur during disaster situations of the drought or other weather, severe weather conditions.

Another major objective of this farm bill is in the marketing area. It's clear to me that this Nation requires a much more aggressive marketing approach, not only in gaining new markets, but also in affecting stronger import restrictions for the protection of our domestic market. The power to relax restrictions for foreign agricultural producers should become a powerful lever in international agricultural trade negotiations. Access to our international market is extremely important.

In the line of our disaster programs, I believe we need a clearer view. Many of our disaster programs such as the hay and cattle transportation have helped farmers in South Dakota. However, they have been developed late. I believe they are very difficult to administer. I believe they could be reviewed and be less complicated. We believe that a livestock program based upon the formula that would allow a certain amount of money to go to the individual farmer to purchase any type of feed that he could find to maintain his herd would be an easier program to administer and would make greater utilization of what feed is in a drought area or surrounding area.

Senator McGOVERN. The reason for that bell is that we are going to have to limit witnesses in time because of the large number of witnesses. So could we just include the rest of your statement in the record?

Mr. DUXBURY. I have just finished here.

Senator McGOVERN. That is perfect timing. I do have a few questions I wanted to raise with you. You very properly identified the drought as the most urgent problem facing South Dakota right now. It's a fact, is it not, that in some parts of the State we have gone through 3 consecutive years of drought. Senator Humphrey and I have introduced in the last few days a measure designed to reform our existing disaster relief programs and I would just like to talk over the initial features of that and get your reaction to it. First of all, it would make the Secretary of Agriculture directly responsible for the administration of these various programs so that farmers won't have to go to half a dozen different offices to see who was in charge of the various aspects of drought relief. The final judgments

would be coordinated through the Secretary's office. Second, it would provide an additional \$10 million for emergency conservation payments which would be made to farmers who are taking steps to deal with wind erosion and other drought conditions. Third, where there is no crop insurance program operating it would authorize emergency direct payments, disaster payments to farmers that have been hit hard in areas where there is no crop insurance. Four, it would require that we maintain an emergency Federal grain reserve of not less than 20 million bushels even if the Secretary has to go out to the market and buy that reserve in order to maintain it at that level.

I might say that last night and today I had calls from farmers all over the State just since I arrived here telling me that this existing feed grain assistance is not working, that the criteria is so rigid that they can't qualify for it. They tell me that if they have any seed, oats, or seed on hand that it counts against their feed inventory, silage, everything else that you can possibly feed counts and most of them tell me that they cannot qualify for feed grain emergency assistance. To summarize one farmer told me the present program stinks, if I can use his words. Furthermore, our legislation would make permanent the hay transportation subsidy of the Emergency Livestock Credit Act, and finally it would authorize the Secretary under emergency conditions to provide a 2-year grace period in the repayment of both principal and interest on FmHA loans. That is a rough outline of the program. I am wondering how it strikes you.

Mr. DUXBURY. I think you have covered the major areas. Certainly in the area of finance and credit I see a critical need. The FHA programs are not adequately funded in some areas as you know. Many farmers who are refinancing and going to long-term credit asking for loans on their land are finding quite a delay. I've been told that some of those loans are being approved, but the money will not be available until next August. The loans are secured. They are loans from the Government but they will not be able to be finalized until August. I think this is an area of great concern.

The conservation program I think fits very well in the program that we are discussing here such as deferred grazing. I think this is one of the immediate needs of most effective programs. I believe in the livestock feed program that we can change some of the rules and regulations. Certainly I think one of the biggest restrictions that we had was all of the feed that was on hand as of December 16 was counted against a new livestock program so that farmers and ranchers that went out and bought their feed prior to that time, it counted against them. But I believe some changes can be made in this program. I personally feel that this program does have some advantages over the previous oats program.

Senator MCGOVERN. You've mentioned that you did not think crop insurance, even an expanded program can ever be a full substitute for what is needed in disaster programs. I too think it's inconceivable that we can wrap up all that is needed in one crop insurance program. I've introduced legislation to improve the crop insurance program that would make it available, first of all, to all areas and to all crops. It would provide that the farmer could insure up to two-thirds of his production based on sound actuarial tables. It would provide that

the farmer would pay up to half of the premium and the Federal Government would pay the other half. Do you think that we are on the right track in that formula for strengthening the crop insurance program?

Mr. DUXBURY. Probably on the right track there. I believe we would have to look closely at the premium. I have been told that hail insurance premiums in South Dakota run all the way from 6 to as high as 20 percent in some areas. So I think we have to look at the premium rates for individual areas and how they would affect the total coverage.

Senator MCGOVERN. I would appreciate if you could send me any writing, any further thoughts you have on that matter Secretary Duxbury.

Mr. DUXBURY. We would like to submit additional testimony on both the disaster programs, crop insurance programs, as well as a few other areas.

Senator MCGOVERN. Just one other question. You know that an important part of anything we do this year in the way of a multi-year farm program will have to do with where we set the target prices and the loan levels for feed grains and wheat. There is a formula in the bill that is now before the committee that bases the target price on the cost of production. If we were to use that formula, what would be your thoughts as to an approximate level where target prices ought to be set so that farmers can make a decent return on wheat and also on corn? Where would you set those target levels? Also, you know that there has to be an escalator factor so there has to be some basis for that to fluctuate at the cost of reduction changes, but let's assume, just for the purpose of discussion here today that we are talking about a price now that would insure farmers their cost of production and a reasonable return on their labor and their investment. Where would you recommend that we set the target price on wheat?

Mr. DUXBURY. I believe, on the low level at least, at a minimum not be much lower than say \$3½ on wheat. I think our actual cost of production is considerably higher than that. When we get down below \$3 certainly I think that is very low for wheat, and I believe that corn should be about \$2 as a minimum.

Senator MCGOVERN. In the bill that I have introduced that I referred to we set the target price at \$3.55 on wheat and the loan level at \$3. On corn we put it at \$2.52 on the target price and the loan price at \$2.24.

Mr. DUXBURY. These are certainly low but they do allow some flexibility and opportunities for the farmers to take out a loan and to spread out the marketing of his crops rather than be forced to sell at times of harvest or when he needs money to meet his obligations.

Senator MCGOVERN. There is the anxiety that is always raised when we talk about getting that loan level or the target price up to where most of us in this part of the country think it ought to be. This anxiety is that we are going to lose export markets, but I was pleased to see in the last few days the Secretary of Agriculture indicating that he is going to talk with the Canadians to see if he can't get

some agreement with them as to what export prices ought to be. Canada and the United States together export over 70 percent of all the wheat that is sold on the world market. So if we get together with the Canadians we can just about decide what that world market price is going to be.

MR. DUXBURY. Certainly a first step. Another item that was pointed out to me, if the loan prices are raised considerably some of the land in the southern states such as Arkansas and Arizona and that, some of the land that normally goes into cotton production may go into wheat production and compete with some of our crops in the Midwest.

SENATOR MCGOVERN. I see. Thank you very much, Secretary Duxbury.

MR. DUXBURY. Thank you for this opportunity.

SENATOR MCGOVERN. We appreciate your testimony. The next witness is Mr. Tom Daschle who is the field representative for Senator Abourezk, my colleague in the Senate. Tom resides here in the State and looks after the interests of Senator Abourezk's office in South Dakota and we are happy to welcome you, Tom, as a witness this morning.

STATEMENT OF TOM DASCHLE, REPRESENTING HON. JAMES ABOUREZK, A U.S. SENATOR FROM SOUTH DAKOTA

MR. DASCHLE. Thank you, Senator. Senator Abourezk has submitted an extensive statement for the record and he has asked me to present the abbreviated statement to you this morning, and I will read that to you now. Mr. Chairman, I want to thank you very much for the opportunity to submit testimony at this most important hearing today. I am sure that I speak for all of South Dakota's farmers in thanking you for bringing the legislative process closer to home by holding this field hearing today.

From my discussions with South Dakota's farmers and ranchers there is one belief that I do not think I can stress enough, the urgent need for action in the area of farm policy. While I am aware of the need to study the current farm programs carefully, I feel a sense of frustration and impatience in the comments of our farmers and ranchers. For the past 8 years our people have been subjected to a non-existent farm policy. Time and again they felt the cruel brunt of financial loss at the market and they have seen it in their fields. They are now hoping that this is an administration that cares about the well-being of the Nation's family farmers and ranchers. I strongly believe that swift action on the part of the Congress and the Carter administration will go a long way toward responding to their hopes.

Mr. Chairman, no one has to tell you about the grave situation in South Dakota. Perhaps no one in Congress has taken a greater interest in the problems which our farmers face than you. But when I hear from the hundreds of farmers that tell of the problems associated with the current disaster assistance programs, I am deeply disturbed about the Federal Government's inability to respond to this crisis. I share the frustrations in witnessing the programs that are presently available during this most serious drought. The fact that only a small

number of farmers can qualify for the agricultural disaster programs, to say nothing of the paperwork required to determine eligibility, describes accurately the attitude our Government sometimes takes toward agricultural producers.

As a result of a series of meetings that I have concluded with South Dakota farmers and ranchers. I have learned that there is somewhat of a consensus on what needs to be done in the formulation of our country's farm policy.

Many people have expressed strong support for revision in Farmers Home Administration disaster loans. As a result, I have proposed that the interest rates on these loans be reduced to 1 percent for the first \$50,000 of an individual's loss with the elimination of a test for credit. Any amount of loss over \$50,000 would have to sustain the test for credit and would be loaned at 5 percent.

We should have an emergency livestock feed program which should be based on the loss of feed in the producer's operation with all livestock in the producer's normal operation eligible for assistance. The current payment limitation should be the sole financial requirement.

The Farm Training Adjustment Act, if enacted, would also provide a great service to those farmers and ranchers who have been adversely affected by a natural disaster. The program would allow farmers to receive education in farming techniques while receiving a modest stipend. This is a bill strongly endorsed by the South Dakota Farmer's Union.

With farm income at a 43-year low, I believe that it is imperative that the Congress and the administration join together to produce a realistic farm program that will bring a fair return on the investment on our Nation's agricultural producers, and in turn will insure the survival of the family farmer and rancher as we know them today.

I believe that farmers share a consensus on the need to raise the price-support level for agricultural products to 90 percent of parity. Certainly our producers are asking no more than a decent minimum wage. Any minimum wage must cover the basic costs, whereas, the current agricultural price-support levels come nowhere near meeting that basic goal.

Meat and dairy imports have been a constant thorn in the side of our Nation's producers. They have a hard time understanding why foreign imports are allowed to come into this country in increasing amounts when we have an overabundant supply of domestic cattle. I have endorsed the proposal to change the Meat Import Control Act of 1964 to allow for a sliding tariff. When domestic production is high fewer imports should be allowed. When domestic production is low higher levels of imports could be provided.

There simply must be legal limitations placed upon corporations which attempt to enter into agriculture. The Family Farm Antitrust Act, legislation which would prohibit corporations with more than \$3 million in nonfarm assets from entering into farming, remains the best answer yet to protect the interests of our Nation's family farmers and ranchers.

Above all, when considering the direction the Federal Government should take in formulating a realistic farm policy we simply must

take into consideration the value of agriculture in our Nation's economy. Despite the fact that only approximately 4 percent of our Nation's population can be classified as agricultural producers, they play one of the most vital roles in our Nation's balance of trade. Without the \$21.9 billion in contributions by our farmers and ranchers in 1975 through agricultural exports this country would be in great financial jeopardy.

We have reached a significant point in our agricultural industry. Our producers look to spring with anxious anticipation to find out if they will be able to continue in agriculture or be forced to leave the farm.

This committee and the Department of Agriculture is charged with a monumental task, for in your hands lies the future of many of our Nation's rural people. As you so well know these proud individuals are not asking for a handout. They ask only for help in a disaster situation during which they have little control over their own fate. They only ask to be treated as individuals equal to any other industry in the United States, seeking a fair return on their investment. They ask, too, about the concern by the administration and the Congress about their survival. How soon and how comprehensive the Federal Government responds to these needs will provide them with the answer.

Thank you very much for providing us with this time, Mr. Chairman.

Senator McGOVERN. Thank you very much, Tom. I just want to draw attention to the fact that Senator Abourezk has concentrated a lot of attention on the antitrust authority that we have in existing law to deal with the corporate growth in agriculture. Proposals that came to light in recent days under which a considerable amount of farmland might be taken over by large banking and investment houses would not be in the interest of family agriculture at all. This so called "Ag Land Trust One" proposal under which \$50 million would be used and administered by the Continental Bank in Chicago to acquire farmland is really a way to create a new generation of sharecroppers in this part of the country, and I am very hopeful that we can halt development of that kind.

We do thank you for your testimony. Congressman Pressler's office has also submitted testimony. Mr. Mark Peterson is field representative and he has asked in the interest of time that the Congressman's testimony simply be included as a part of the record.* So we will see that that is done. Our next witness is Mr. Ben Radcliffe, president of the South Dakota Farmer's Union. I would like to say while Mr. Radcliffe is coming to the witness table that on Wednesday at the Senate agricultural public hearing I proposed that the Secretary of Agriculture, Mr. Bergland, confer with the Canadians on the possibility of setting an international price agreement on wheat, and whether or not that had anything to do with the story in today's Minneapolis Tribune? I don't know, but this story on the front page of the Tribune carries a headline "U.S. To Seek Pact To Fix Wheat Price" and it opens with these words "Agriculture Secretary Bob

*See p. 180 for the statement of Congressman Pressler

Bergland said Friday that he intends to seek a wheat price fix arrangement with Canada that would effectively set a world price on bread grain." So if the suggestion made at the hearing last Wednesday had something to do with the story I am very pleased that we got such fast action. In any event, the Secretary does point out that about three-fourths of all wheat moving in international markets comes from Canada or the United States. So it would seem within our power to set that price. And I think it's a legitimate thing to do at a time when we are faced with cartel set prices on oil. They are important to all of us.

Ben, the floor is yours.

STATEMENT OF BEN RADCLIFFE, PRESIDENT, SOUTH DAKOTA FARMERS UNION, HURON, S. DAK.

Mr. RADCLIFFE. My name is Ben Radcliffe. I am president of the South Dakota Farmer's Union, our State's largest farm organization. My current residence is in Huron and I also own a farm in Spink County. And I want to extend our deep appreciation, Senator, to you for coming to our State to hold these hearings.

Agriculture has been and continues to be America's largest industry, bigger and more vital than the auto industry or the oil industry. It has been American agricultural export income that has allowed this Nation to maintain a favorable balance of trade even in the face of skyrocketing bills for oil from the OPEC countries.

But today much of American agriculture is in despair. A despair arising from disastrously low prices combined with an ever-widening drought that continues to grip the States of the Upper Midwest and California and threatens to expand to encompass the entire Western United States.

I don't think I need to recount for this committee the economic devastation which has befallen South Dakota farmers and ranchers as result of the 1976 drought. By now I am sure that you are aware that our State has already suffered more than \$1½ billion in lost agricultural income. Farmers throughout much of our State were hit by near-zero yields of grain crops, while the devastation of feed crops such as hay and forage forced maximum sales of livestock including basic foundation breeding herds.

The past year saw a continued decline in the number of farms in South Dakota. In 1976 we lost more than 500 farmers and ranchers, and without Federal assistance the total will be much more in 1977.

And at the same time farmers in South Dakota and other Upper Midwestern States were reeling under the impact of drought, farm prices for almost all major farm commodities continued on their 2-year slide toward basement level.

On November 15 of the past year the farm parity ratio skidded to 66 percent of parity which was the lowest level since 1933.

Today President Carter faces an inherited farm disaster of a magnitude similar to that which confronted President Franklin D. Roosevelt in March of 1933. The so-called market-oriented policies of the Nixon-Ford administration have left our domestic and rural market in a state of chaos with markets currently at bankrupt levels.

The fact is that there has been no authentic food policy in this country during the past 8 years in which the only good grain prices occurred following the unprecedented grain sales to Russia in 1973 and 1974.

Former Secretary of Agriculture Earl Butz issued a call for all out production 2 years ago. He asked American farmers to plant fence row to fence row. But when inevitable surpluses began to drive down prices he turned his back on agriculture and refused to exercise legal authority to raise loan rates to realistic levels.

By January 15 of this year the price of wheat had fallen to \$2.43 national average which is about 50 percent of parity. Corn was down to 69 percent of parity and cattle continued to hang at 57 percent of parity. There is no one single farm commodity that even approaches full parity level prices today.

And while American farmers were faced with bankrupt level prices and an administration which opposed every effort to realistically increase price support, other major agricultural nations have maintained direct or indirect support measures aimed at guaranteeing a reasonable return to their farmers. For example, the support price on wheat in Canada is around \$3 a bushel, in the European community \$4.24 a bushel, in Chile it's \$4.50, in Brazil wheat is supported at \$4.80 a bushel, and in Japan, \$10.20.

The time has come for a change in American food and farm policy. And we have high hopes that the Carter administration shares that conviction.

During the 1976 Presidential campaign President Carter pledged his support for farmers and promised to secure price supports guaranteeing a minimum of cost of production returns.

We agree with the President in that the cost of production is a good place to begin putting agriculture back on its feet. But cost of production is only a phrase and it is meaningless to farmers unless it is based on the real day-to-day costs facing farmers. Phony cost of production figures would cheat farmers and would mislead the Nation that something substantial was being done to help farmers sustain an adequate income. No cost of production formula can be acceptable unless it takes into consideration all of the costs facing farmers, including the cost of land at current market values. Under those conditions, for example, today cost of production for wheat would be between \$3½ and \$3.75.

But we must not let the current debate over the cost of production obscure the simple fact that American agriculture can never achieve real health and stability unless farmers achieve 100 percent of parity on their production. Until that goal is achieved American agriculture can never secure its rightful place as a full partner in the American economic system.

We are not willing to concede that domestic grain prices must be dominated by a chaotic world market. It is a fact of international economics that the United States and Canada together export close to 70 percent of the wheat now moving in world trade. We think that it is high time we returned to a system of international commodity agreements to stabilize prices at reasonable levels. As Senator

John Melcher of Montana has pointed out, the United States and Canada currently control a greater percentage of international wheat exports than the OPEC countries do in oil. Thus, there is no reason why the major grain exporting nations should continue to accept prices that are so low as to jeopardize our future ability to produce. We should also recognize that \$4 a bushel wheat could do much to improve our balance of trade, especially at a time when the prices of commodities which we must import are soaring.

The current drought also points to another defect in our national policies. No commodity is more basic to human existence than food. But for the past several years we have done nothing to put aside reserve stocks of grain to provide a cushion against the kind of widespread agricultural disaster we may now face. The Federal Government has long since accepted the need to maintain reserves of vital metals. For example, we now have a 7-year supply of chrome.

It is almost unimaginable that we have not been willing to treat food with the same seriousness as chrome for our automobile bumpers.

We believe that a national grain reserve should be kept in the hands of farmers through a system of nonrecourse loans. And we believe that reserve should be adequately insulated from market pressures, so that it couldn't be dumped on the market to depress prices.

We believe that a national grain reserve should be kept, should be held—and it should be held in the hands of farmers through a system of nonrecourse loans. And we believe that reserve should be adequately insulated from market pressures so that it couldn't be dumped on the market to depress prices.

But grain farmers aren't the only agricultural producers who are in distress. Livestock producers have been victimized by disastrously low prices ever since the on-again, off-again price controls instituted during the Nixon administration.

We believe that every consideration should be given to devising a program that would stabilize livestock prices to a point where producers could once again afford to raise an animal and consumers could afford that product at the supermarket.

Now, I think that three specific Federal initiatives could go a long way toward gaining that stability. One, we need more realistic controls over meat imports. Currently we have a quota, but they are so unrealistically high that they have left our markets wide open to a flood of foreign meat. Two, we need to launch a major investigation of the price spread between what the farmer receives for his production and what the consumer pays at the supermarket. And once that investigation is completed we need to take whatever corrective measures that may be necessary. And finally, and this is a departure from present programs, we think the time has come to offer livestock producers, probably through a referendum, the option of participating in an income stabilization program that would assure producers of at least break-even prices. Such a program could be similar to the current wool subsidy program which is apparently popular in our country, or it might be patterned after the Canadian deficiency payments program which currently supports feed cattle at the rate of \$45 a hundred.

I would like now to deal specifically with the drought program that faced our farmers last year and continues to be a major threat in the future.

After returning from one of his many trips to Washington, D.C., last summer, Lieutenant Governor Harvey Wollman commented that the quest for aid for South Dakota's drought-stricken farmers was like a scavenger hunt.

I think that statement adequately expressed the frustration most of us felt with the difficult and time-consuming process of seeking out the few and inadequate Federal programs which were available to assist the drought-plagued farmers. I think Lieutenant Governor Wollman's statement also underlies the need to incorporate a comprehensive disaster-assistance provision into the permanent farm law within the U.S. Department of Agriculture.

It has been suggested that an expanded Federal crop insurance program is the answer to bring aid to disaster-stricken farmers. We, however, remain unconvinced of the accuracy of that solution for one overriding reason, we feel that the premium on a policy of that kind would be so prohibitively high that most family farmers would be left without any protection at all.

We are open to improvement in the Federal crop insurance program, but more could be done through upgrading current disaster programs and adoption of the emergency loan program, the emergency livestock replacement act and the farm training adjustment act which have already been introduced in Congress.

As if drought and low prices weren't enough, family farmers have been faced with a new threat. The "Ag Land Trust" scheme hatched early this year by Continental National Bank of Illinois and Merrill Lynch, the giant Wall Street brokerage house threatens to turn American farmland into a mutual funds investment game and family farmers into a new generation of sharecroppers.

We urge the Congress to take whatever action is necessary to block this new corporate land-buying scheme so that family farmers will not be forced to compete for land with the clutch of bankers whose pockets are filled with tax-exempt pension funds.

We are also hopeful that this new wrinkle in the corporate drive to take over American agriculture will finally generate congressional action on the anti-corporation farming law introduced by Senator Jim Abourezk.

During the first 200 years of our existence as a nation the family farm has provided the firm backbone of our society. The American family farm system has allowed the United States to become the best fed, most affluent nation in our history. But all too often over these two centuries farmers have been on the outside looking in, often denied what the rest of society considered to be the necessities of life, almost always subsidizing the rest of society through a cheap food policy.

As we launch into our third century American consumers can continue to be the envy of the rest of the world, but only if we, as a nation, recognize our debt to the family farmer; only if we as a nation recognize that in the final analysis the welfare of our consumers depend upon the health and prosperity of family agriculture.

Thank you.

Senator MCGOVERN. Thank you very much, president Radcliffe. You refer to the cost of production formula which you said would be an inadequate basis for determining where the target price and the loan levels ought to be set, but I think you very wisely pointed out that that would be true only if we figured the cost of production fairly. What comments can you make on the formula that is in the so-called committee bill now pending before the Senate under which the land cost, that factor into the cost of production is included at the average value of that land over the last 35 years instead of the current value of the land?

Mr. RADCLIFFE. I think the answer to that, Senator, is obvious. Those of us who have been in agriculture for the last many years know what is happening to the price of land in the past 35 years, and an average of that would be terribly inadequate as a yardstick to determine cost of production. Land prices are what they are today, and any farmer attempting to lease land has to pay a lease rate that is consistent with the current cost of that land, and it would be—it would be unfair and ridiculous as a matter of fact to predicate a land cost on a 35-year-average basis.

Senator MCGOVERN. Do you think, for example, that when General Motors figures what their costs are in producing a new car that they determine that on what costs were 35 years ago or what steel cost 30 years ago or the average of the last 35 years, or do they not factor in their cost based on what the current cost to them are of steel and other things that go into that product?

Mr. RADCLIFFE. Of course they do, and I think the same category should be applied to farmer's cost of production.

Senator MCGOVERN. One of the things that happened to us in drafting the farm bill we have been operating under the last few years is that when we were in conference with the House of Representatives there was really a third conferee who was sitting in on those conferences. He wasn't there physically, but we had to keep calling on the telephone talking to Secretary Butz to find out how far we could go without drawing a Presidential veto. We didn't think there was much point in passing a bill that was going to be vetoed, and so we kept backing down on various things in the legislation that would have given us a stronger program, and one of the things that we had in the original bill was the so-called escalator clause under which the target price would have automatically gone up when the cost of production went up. We had to leave that out of the program. Don't you think that we paid a very heavy concessional price there by knocking out that escalator clause, and should it be included in the legislation now before us if we are going to approve a 5-year bill?

Mr. RADCLIFFE. I am sure that I agree with you that we have paid a heavy price for not having that in. We consider the increased cost of petroleum, in some cases land cost and we are suffering now in the current target price program as a result of not including the escalator clause, and I think it is very essential in any new legislation that is included. Virtually all labor contracts carried a cost of living increase, and they should also be included in the farmer's program.

Senator MCGOVERN. There is one proposal that I favor that I get a lot of criticism on from farmers in my own State as well as other parts of the country, Mr. Radcliffe, and I would like to ask you for your reaction to it. I think we have to have some kind of grain reserve program.

Mr. RADCLIFFE. Yes.

Senator MCGOVERN. I don't see how, as the world's principal exporter of grain, we can really function responsibly without some kind of reserve to meet emergency situations. We wouldn't think of operating the defense department in this country without a reserve supply of ammunition, without reserves of bombs, without reserves of almost everything you can think of. The world is critically dependent upon American agriculture for a major part of its food supply. I am not talking about what we give away, I am talking about what we sell. Now, it seems to me that some kind of mechanism to hold at least part of our crop in reserve has to be established so that we can meet the fluctuating patterns that exist. We don't know whether there is going to be a drought in Europe or in the Soviet Union or China or India or elsewhere. We don't know when there is going to be a drought here in our own country or a flood or something else. And I am very uncomfortable with a farm program that doesn't have some kind of a reserve mechanism. Now, I realize you have got to have protection to the farmer against arbitrary decisions to dump that reserve onto the market to break the price. Nobody is advocating that, but I wonder if you could address yourself and your own feelings as a farmer and as the head of a major farm organization in our State as to how we could develop a reserve that would protect our capacity to meet our commitment and yet at the same time not serve as a threat to prices.

Mr. RADCLIFFE. First, Senator, let me say that I do agree with you, that we need a grain reserve, food reserve may be a better term, not only to accommodate our commitments to the world, but I don't really think that it's good for our own producers to find themselves in a position where we may be running short of grain and see wheat or soybean prices for that matter skyrocket to a point that is unrealistic. This destroys the world market and it's bad public relations for farmers. Now, I think a grain reserve should be held on the farm by farmers and that the Federal Government should pay the farmer storage for storing that grain, and then there should be a trigger point, a trigger price point, maybe 100 percent of parity or at some level that would give some protection to the farmer who has the grain stored below which the Government could not call that grain; either that kind of a trigger point or else a trigger point at which time the Government would cease paying storage to the farmer which would encourage him then to put it on the market. I don't think it's all that difficult to devise a kind of storage program. If we do, the thing we know needs to be done as humanitarians and at the same time protect the farmer from what has happened in past years, from a dumping operation carried on by the Department of Agriculture, and I think that Congress should—should create such a program and devise such a program to provide for a food reserve and a grain reserve on the American farms.

Senator MCGOVERN. You may recall a few years ago what happened on soybeans where—

Mr. RADCLIFFE. I do.

Senator MCGOVERN. Where the price gyrated in one season all the way from \$3 a bushel up to \$12 and then back down to \$5 within a space of about 6 or 8 months. And while that was going on we slapped an embargo on the shipment of soybeans which was a shattering blow to the Japanese who were heavily dependent upon those purchases to keep their economy going. Soybeans are a very important part of the Japanese diet as you know. It struck me as bad politics.

Mr. RADCLIFFE. I agree.

Senator MCGOVERN. Bad foreign policy and bad economics. If we would have had a reasonable reserve of soybeans on hand when that price went beyond 100 or maybe 110 percent of parity, there should have been a mechanism whereby part of that could be fed into the market to keep the price more or less stable. I don't think anybody would favor a release price that would be below 100 percent of parity, but in the same vein in which we want to protect our farmer with a reasonable price floor, we need to have some kind of mechanism to prevent these gyrations in prices. I want to thank you for your testimony, Ben. I appreciate it.

Mr. RADCLIFFE. Thank you, Senator McGovern.

Senator MCGOVERN. Now, the next group of witnesses will be a panel on the various programs in the ASCS and the disaster programs. I am going to ask Mr. Les Starnes, chairman of the Minnehaha County ASCS Committee to come to the table. Also Mr. Rod Hall of Fulton, S. Dak., Neil Evans of Watertown, John Begeman of Monroe, S. Dak., and John Bohr from Pierre. Try to keep in mind the time factor here. If you gentlemen could confine your panel to about half an hour, we can stay on schedule. That will give each person 5 or 6 minutes for a statement. We will begin with Les Starnes, Humboldt, S. Dak.

STATEMENT OF LES STARNES, CHAIRMAN, MINNEHAHA COUNTY ASCS, HUMBOLDT, S. DAK.

Mr. STARNES. Thank you, Senator. It's not going to take me 5 to 10 minutes. One thing I am sure that we want as ASCS people is the allotment should be changed. We are running on 1959, 1960 allotments. Most farmers have changed land, some of them several times in the length of time and farming has certainly changed over the last 15, 18 years. I don't know how, what percentage of changes in cropland—either use a percentage of the cropland or we could use so much allotment for each quarter section of land. Anyway, certainly the people that were conservation minded when these allotments were taken were the ones that have been penalized over the last 18 years for having been the people that had more hay or pasture land which at that time is what the Government wanted.

I think we need increased support prices and a resale program. Repeating what Ben just said we need grain handled by the farm-

ers, sealed by the farmers, controlled by the farmers and not by commercial elevators and not by the Government.

I think we need a better insurance program including all crops, not just a part of them. We need a different way to decide the percentage of determining payments. Now we use 57.26 and this works out to sometimes a farmer can be a bushel under or a bushel over and it amounts to about \$15 an acre. I know there are a lot of farmers in our county, Minnehaha County, that think that oats or even alfalfa should be included in the Federal grain program. The only way this could work is if we get an allotment change. If it's a replacement deal we would be worse off than we are today. I think our hay program has been a big help to the farmers. I know it has been a big help to Minnehaha County, but I am not so sure that maybe we didn't help the trucking industry more than we helped the farmers.

Senator MCGOVERN. Thank you much, Les. Senator Abourezk and I were the principal authors of that hay program, so I hope it hasn't been too bad.

Mr. STARNES. It has been good. The farmers are buying hay cheaper actually than they could, but I am sure the trucking industry has benefited more than the farmer.

Senator MCGOVERN. We want to help the truckers too I guess. Rod Hall, we will turn to you next.

STATEMENT OF RODNEY HALL, FULTON, S. DAK.*

Mr. HALL. Senator McGovern, I am happy to be here and I may be in a little different role than most of the other people in this room. I come here not as a hog and grain farmer, but at this time would like to represent myself as a consumer of disaster services. I would like to talk about some of these things that you have been hearing about. You have been hearing about them from me too. I will very quickly go over a few points and hopefully this will stimulate some questions on your part or some of the others here.

Senator MCGOVERN. Rod, if I could just say I will have questions to the panel, but I thought I would wait until all of you complete your opening statements. Then I will direct some questions to the panel.

Mr. HALL. First of all, that difference between the oats program and the present feed grain program is a bit unique, but when it first started out 95 percent of the people didn't qualify for the oats, and now the last I heard from our local county official was 95 percent of the people don't qualify now. At the beginning on the oats program those who qualified were really the people who could show the mortgages they had. Right now you can go up to Hanson County and you can find out the people who are qualifying are either corporate executives or they are people who are basically large cattle feeders who have large banking interests and things like that. So there is a problem there.

The coordination of program benefits, I have no quarrel with reducing benefits, eligibility for benefits. If you receive a few thousand

*See p. 182.

dollars in benefits, sure, you should have it reduced. But the point I would like to also have you think about is in my case I received \$3,000 in Government payment but I also paid the U.S. Government over \$5,000 in principal and interest payments, so if they are going to take the \$3,000 away from me, why don't they credit me with the \$5,000 that I sent to Washington this year? So that is one of the things.

Also another thing on coordinating programs, I have had my application in for an FHA loan from December 12. It's here in my hand yet because I will probably have to wait until June 15 to find out what if anything I can get from the other programs, and I can't act on this until the other programs are done.

The Federal crop insurance, I certainly would urge you to continue it.

I have another point. One problem we have had in Hanson County over the past 4 years has been not being able to get the county declared a disaster area. One person has for 4 years, time and again been able to stop it simply because he didn't want the competition. He wants the little guy out of there, and we have gone everywhere we could and in 2 of those 3 years we did get the declaration made. One year we just got tired and quit. In talking with local county committees it seems they are able to perform just about every duty for ASCS services except one; and the one thing that they seem to feel that they don't like to do is play God and decide which one of their friends and neighbors will get the benefits and which one doesn't. They just don't like to make that decision. I guess we can say it would be just about like Congress, they really didn't like to vote on the pay increase and it's not too much different. If they could administer all the other things and have some set of criteria and have these determinations made where they wouldn't have to act on the neighbor that lives 1 mile or 10 miles away. That seems to be the one thing that they are concerned about.

The storage of grain on the farm, I think we should have two reserves. I think we should have a reserve that's used for international trade, and I also would like to see a reserve used for emergencies. Take a county like Hanson. The last 3 or 4 years we have had drought every year. I would like to see a grain reserve on the farm owned by the farmer, supervised by resident farmers and never owned by non-resident farmers who don't have anybody around so the rats eat it, where it can be supervised carefully. I think in Hanson County you should probably have a bigger reserve because you are more prone to drought than you would need in Illinois. A 3-year reserve wouldn't be too much for the past experience of 3 years. That should be there on the farm, owned by the farmer or managed by the farmer. If there is any other, then put it in the commercial elevators and keep the two distinctly separate.

In this energy short time I think it is tragic to see the oats hauled from Hanson County to Missouri. It uses a great deal of fuel to haul it down and turn around and haul it back. You wind up paying \$1 a bushel more for it after you get it back than when it went there.

There is one other thing, we have the investment credit which is something you are very familiar with. It's something that people have used that pay income tax. We have millions and millions of farmers that don't pay any income tax. They are deprived of the investment credit and I would hope that you could pursue the situation, see if the investment credit, if it can't be used in the present year and carried back 3 years rather than have these farmers bank the Government for the next 10 years in hopes that they will have taxable income. If they owe the Government on FHA loans or some other Government loan have this credit applied to that debt. This would help get farmers out of debt rather than further into debt.

And finally I would hope that on the eligibility, financial eligibility, you would give some consideration not to net worth only, but to interest paid by farmers. If you inherited the farm it's a lot different than if a person is buying it, so the net interest paid would be one measure that I don't think we have used to determine, and this would separate those who have inherited or bought their land cheap as compared to those who are buying it now and paying a lot of money. The price would become less important, going back 35 years or now. I would like to have that explored.

Those are some of the points I would like to have considered. I would be glad to see long-term and intermediate credit at 4 to 5 percent. This would be a help; if in a disaster year the interest would be reduced to 1 percent, but I think taking 1 percent for a \$50,000 loan, this is just too much. I would certainly support a 4- to 5-percent rate. Thank you.

Senator McGOVERN. Thank you, Rod. Neil Evans, Watertown.

STATEMENT OF NEIL EVANS, WATERTOWN, S. DAK.

Mr. EVANS. Senator, I would like to thank you on behalf of myself and my neighbors for this opportunity to be here today. I am a farmer in northeastern South Dakota, have been farming for 33 years. My parents and grandparents before were for nearly 100 years. So our roots are deep in the soils of northeastern South Dakota.

Visiting with my neighbors over the last few days these are some of the things that they asked me to bring up at this meeting. The most important thing it seemed to be pasture renovation, some type of a deferred grazing for the next 1 to 2 years with a payment of \$3 to \$10 depending upon the productivity of the land, limited grazing with a smaller payment or even a late fall grazing with a limited number of cattle, a pasture renovation by interceding legumes and grasses in the old land or a complete renovation by new seeding with payment for seed, fertilizer, tillage and a payment for rent. Many of these pastures will not come back within the next 1 to 2 years unless there is some type of renovation, Senator, on them.

One other thing, Senator, is the fact that, and this has been mentioned before, a change should be made in the payment of transportation of hay. Why should a farmer get 6 cents per mile for trucking hay under disaster hay programs while a trucker gets $9\frac{6}{10}$ cents per mile. It costs the farmer as much for gas, oil and tires and repairs

as it costs the trucker for the same. Therefore, a farmer should receive the same as a trucker, $9\frac{1}{10}$ cents per ton-mile.

Grain loans, a loan rate should be established at once for all feed grain, wheat, rye and all oil crops at cost of production plus 20 percent. We took these figures because of the fact that many times the Government has asked for production of things that they have needed and they have been done on a cost plus 20 percent, and we as farmers feel that we should be entitled to the same thing if we are going to be asked to produce from fence row to fence row. Why shouldn't we be entitled to a profit. And we would immediately ask for a loan rate to be established now so that we would be able to store these products on the farm.

The farm loan prices that farmers are receiving in the market today are a direct result of the past Secretary of Agriculture's policy of all-out production. The American farmer was asked to produce from fence row to fence row without a thought of surplus which would surely build up. Why has—why wasn't industry asked to produce from factory wall to factory wall? With better than 8 percent unemployment in this country full production by industry would have kept millions from unemployment roles. Yet industry was allowed to cut its production so that there would be no surplus to flood the market. Yet the farmers always asked to produce large surpluses so that the buyer sets the market price. I have some examples here that have happened on my own ranch and farm. And one is that barbed wire went from \$8.50 a roll to \$40 a roll in less than 6 months, bale twine that we use quite a bit of went from \$6.90 a bale to over \$30 a bale in one season. And these are the things that have caused the farmers the problem that we are in today.

At the same time the price of cattle, and these are calves, I took these from my own books. We received \$60-plus for calves. In less than a year they were back down to \$26 per 100. Hogs dropped from \$56 to \$28 per 100 with a market variance as much as \$7 in 1 day. With this type of a yoyo market, how can a farmer plan ahead?

Credit, the farmers in this drought area will need low-interest loans to be able to put in their crops in the spring. I would suggest that a 1 to 2 percent loan be given to farmers. Prior suggestions were a 5-year repayment schedule. Crop insurance should be put back in the ASCS program with the county committee administering it. We would have a 10 percent—we should have a 10 percent set aside of all farmland for future use. This should be set aside and seeded to legumes and grasses to be used in disaster times, or be set aside to be used in the future as it is needed.

The old conception of the ever normal grainery should be put back in the farm program and this grain should be stored on the farm with a storage payment to the farmer for taking care of this grain. Thank you.

Senator McGOVERN. Thank you, Neil. I appreciate your statement.

Mr. EVANS. If you have any questions I certainly—

Senator McGOVERN. I will definitely have some questions for the panel. John Begeman, Monroe, S. Dak.

STATEMENT OF JOHN BEGEMAN, MONROE, S. DAK.

Mr. BEGEMAN. Yes. I am a farmer in McCook County, S. Dak. I operate about 240 acres and about 40 to 50 dairy cows usually. This year I have cut back to 30 cows and about 30 head of calves. In other words, I have cut back to about right at 60 percent.

This new farm bill is on everyone's mind and I would like to point out, as Mr. Duxbury did, that new wealth to the tune of 73 percent is produced by agriculture, and we have been producing this for anywhere from 60 to 75 cents on the dollar. If we had been producing or getting parity prices or cost of production during 1975 in which we produced \$100 billion we would have been getting \$130 billion. The income tax alone on this would have been \$71½ billion leaving \$22½ billion for—which would be generated in the nonfarm or as income. This turns over about 5 to 7 times in the economy, and if you wish to work this out it comes out to just about what our national debt is at this time. Now, I am not saying that the American farmer, if he had been getting this, that we wouldn't have a national debt. But what I am saying is that with one segment of the economy supporting the rest of the economy all of it will suffer.

The American—the average American spends about 16½ percent of his income on food. The next closest is West Germany where the average citizen spends about 22 percent of his income. West Germany has the most stable economy and currency in the world today and here we are back to that 70 to 75 percent figure again. The American farmer can produce food as efficiently as anyone else, and probably more so, but it becomes pretty difficult to compete with governments, and I'm talking about imports.

In the field of dairy products, we are producing a surplus, at least that is what I have been told. Last year, the CCC purchases were less in 1976 than in 1975 according to Hoard's Dairyman, a leading dairy publication.

Imported food products, whether dairy, meat, or whatever, should meet the same sanitary and wholesomeness standards that our domestic products should have. This should include onsite inspections of producing and processing methods as well as product sampling. I don't know if they can be done with other nations or if they could be worked out, but I am sure they could be.

Our market should not be a place where Mr. Rockefeller and others like him can market their cattle from foreign ranches and then not have to pay income taxes in the United States on profits from them so they can buy more ranch land there and continue the vicious circle of gaining more animosity toward the United States in those countries and in similar situations. I have a son who is a career officer and he would certainly be upset if his men were sent somewhere to protect American interests and these same interests are ripping off citizens of both countries involved.

This year in 1976 has been difficult, slightly more difficult than the previous 20, but if we had had cost of production prices it could have been taken in stride.

Now, let's get down to specifics as far as the new farm bill is concerned. No one knows all the answers, but I would like to contribute my 2 bits worth on a parity price of 17½ cents. At the 1976 convention, NFO Convention, held in Milwaukee the cost of production prices were calculated there by the delegates and this is wheat at \$4.95 per bushel, corn \$3.20, soybeans \$7.55, milk \$12.75 per hundred, manufacturer \$11.80, fat cattle \$65.25, finished hogs \$53.50.

As a dairyman I know more about milk than other commodities. Not that I am bragging, it's just that I know less about the others, but at the current cost of production my costs are now at \$11.25 per hundred. The net market price right now for grade A milk is \$8.73.

I am not advocating that the Government guarantees our cost of production plus a reasonable profit, but it should provide us with a favorable climate so that the producing farmer can bargain collectively with his neighbors for cost of production. This we have not had in the past. You will recall we were on the well-known list of former President Nixon and had an injunction thrown at us by President Johnson. The disaster assistance has been less than adequate and in some of these cases I have been where the—where the feed value of certain feeds has not been in conjunction with the true value. Again, I will give these figures later.

We need a firm farm policy that can be counted on. Emergency loans to 90 percent of normal yield which should be set up over a long period of time. And the normal herd size should be maintained because it takes anywhere from 2½ to 3½ years to get herds back into production from the time it's a gleam in the bull's eye until you have the steak on your plate or the milk in your glass.

I don't mean to criticize you in your emergency hay plan. It has worked out to a certain degree. However, I feel that again hay needs should be calculated to two-thirds or more of the normal herd size in direct grants for hay purchases calculated on nutritional needs to be bought wherever and whatever it can for the best price. These needs should include production and stress allowances which have not been included. The current program where we are moving hay back and forth I feel is my personal opinion a trucker's bonanza and an energy bust.

Another area of real need are conservation measures and this has been brought out before. And in my own case I have a long-term agreement with the Government picking up 70 to 80 percent of this cost when these practices are done. But in event of disaster which we have had for the last 2 years, I think that the prices should be spread out over long periods of time at little or no interest because these conservation measures are in the best interest of the country at large.

Grain reserves, I think we can, if we get input from grain producers, we can work out a very workable plan. The food for peace program which no one has brought up at this point I feel is our best weapon for the defeat of world totalitarianism, whether it's communism, fascist, whatever. A person who is hungry and whose

children are hungry becomes susceptible to almost every and any mental and physical disease; while a person who is assured of adequate diet for himself and his family and also assured a way of later achieving it on his own can make these moral and physical decisions.

Senator MCGOVERN. John, would you be willing to insert the rest of your statement into the record in the interest of time and then I will have some questions for you a little later on, but I want to give John Bohr a chance to be heard.

Mr. BEGEMAN. All right.*

STATEMENT OF JOHN BOHR, PIERRE, S. DAK.

Mr. BOHR. Thank you, Senator. I should explain that I am president of the Drought Aid Association which is one of the smaller farm organizations in the State. I just recently started and our function is to coordinate with other farm organizations in the State and business organizations as well to try to provide assistance whenever we are called upon for the assistance that we are able to provide.

Senator MCGOVERN. Is this a voluntary association, John, that has been established by farmers or what?

Mr. BOHR. That is correct, Senator McGovern. I do not receive a salary. In fact, I pay my own expenses and I normally of late put in about a 15- or 16-hour day. So you will forgive me if I am a little bit tired today.

We have been working on—farm foreclosures is one part of our program. But I want to make my statement brief and to the point on a few issues. I brought a Sioux Falls newspaper with me for February 20, 1977. The middle section has two pages loaded with farm auction sale bills. In addition to that on the two opposite leaves you have the same thing so you have three solid pages in the Sioux Falls paper of farm auctions. So we are clearly in trouble. I don't think there is any disputing that. Now, from my—I must say personally from my experience in combat, which is considerable, I am sensitive to foreseeing a coming disaster and I very clearly see it under these drought circumstances.

Now, I agree with the idea that we should have a flexible moratorium capability and that capability should exist from the Federal level right down to the State level and it should be part of a program. In other words, the Federal Government or State government should have the opportunity during times of drought or other types of nationwide stress, national disasters to declare a moratorium on foreclosures, whether it be foreclosures on farm property or business property. I do not agree, however, with the position that we should declare a moratorium with the idea that banks and other lending institutions are going to bear the burden of that. That is not it should be a compromise of some sort between the financial institutions and those individuals, whether they are farmers or businessmen, who must now bear the full burden of these problems.

*See p. 188.

I wish to emphasize that there is a tax burden problem anyway you look at it, that if a lot of South Dakota land is bought up by outside interests, that the taxpayers of South Dakota are going to bear the burden. They are going to bear the burden in terms of welfare payments, they are going to bear the burden in terms of debts that cannot possibly be paid by those individuals who are foreclosed upon. So in a sense then or in a practical sense we must face the fact that the taxpayers of South Dakota are going to have a tremendous burden if foreclosures become an epidemic, and I see them coming in the next few months.

We are working on a number of different programs within our organization. Our emphasis at this point that is for a short-term solution to these problems is legal aid for farmers. I consider this legal aid for farmers an absolute necessity. We have within our organization some limited funding for this purpose, but we have very few funds. The State NFO has recently committed themselves to in the neighborhood of \$5,000 for our legal aid effort. With that money we retained the firm of Cummings and Schlueter in Huron to draw up the charter and bylaws of the South Dakota Legal Aid Society. I wish to point out that the Federal Legal Aid Corporation does not have the capability with their present guidelines to assist farmers with legal aid because of the equity requirements. What we are attempting to do is to establish a traditional legal aid structure but to include one exception; that is, the ability to assist farmers who do have equity, encumbered or otherwise, but who do not have cash to pay for attorney fees. I again emphasize that we feel that this is an absolute necessity in these times where foreclosures are beginning to press in upon us. That is a short-term practical, workable solution which we are now implementing. We need more funds. I would like to see something along these lines put in to the farm bill even if we have to overlap somewhat and duplicate the efforts of the traditional legal aid structure. I think it's a necessity.

We also have a long-term goal and that is to stop a Cooperative Agricultural Reserve Bank. The idea of reserves is fine, but you also have to consider cash reserves. Traditionally there has been little in the way of cash reserves in our farming community, and I think that what we—what we should try to do is to establish in this State as a policy project a Coop Agricultural Reserve Bank that would serve the needs of the entire State, possibly with matching Federal funds. The matching Federal funds could be used for the purpose of building up the interest accumulation in the bank. The bank's assets would remain entirely inflexible so that at any time the major assets of the bank could be liquidated and used for the purpose of pulling the farm community or helping to pull the farm community through widespread disaster. We are beginning to work on that. We are discussing it with our attorneys and we hope over a period of 10 years to be able to establish such a bank. That is all I have, Senator.

Senator McGOVERN. Thank you very much, John. We appreciate your testimony and the effort you are making on behalf of drought struck farmers.

Rodney Hall in his testimony made a point that I have frequently heard from farmers both on the telephone and in my visits here in the State—that neither the emergency oat program that we were trying to operate a few months ago nor the present Federal grain emergency program were set up in a way so that very many people will qualify. I wonder if any of you would want to comment on what you think we ought to do to make those programs function. I would be glad to hear from any of the witnesses on that.

Mr. EVANS. George, couldn't that be based on the loss of crops and the amount of livestock that he retained through this drought through the ASCS office that—they have records on the amount of crop that you have been growing and they can tell you about what crop you have had and if you had a complete loss like we did in my area. I think this amount of feed that you need to maintain your herd, the foundation herd should be based on this and you should be allowed to buy this at a reasonable rate. I don't believe that we want them to give it to us, but I think 2 cents per pound off would be a real fine rate, but most of my neighbors don't qualify for it.

Senator MCGOVERN. What is the reason that you hear why they don't qualify? What is there in the guidelines that we are now operating under that is so stringent that it keeps most people outside of the program including a great many who you feel need it?

Mr. EVANS. Well, many of us went out last fall and we started buying feed. We bought hay. I have hauled hay from as far north as Winnipeg, Canada, to as far south as the Nebraska border and we bought this hay as soon as we could because we were afraid that many of the roads could get bad in the winter and we wouldn't be able to get feed, and it's based on this. If you have some—I have some feed grain left over from 2 years ago that I have been trying to keep for seed, not very much, but I do have a few bushels and this they tell me counts against me.

Senator MCGOVERN. Silage.

Mr. EVANS. Yes, we had no silage in my area. The corn forgot to come up.

Senator MCGOVERN. But you think the criteria is just very rigid?

Mr. EVANS. Yes, I believe that the county ASC committee has got to be authorized to run the program within their county and not be dictated to.

Senator MCGOVERN. Rod, I take it from what you said earlier that the county ASCS committee be given more authority to make these judgments as to who needs help and who doesn't, but that you sometimes feel the local committee is reluctant to make those judgments between neighbors.

Mr. HALL. Yes, I think that the local committee doesn't want to, but I found in the last week the Hanson County committee in fact they sent letters out to tell you to go buy the corn and we get it and now we can't get a reimbursement, and apparently that our county may be the only county where we have received official letters telling us to purchase the corn and now the collections are being withheld because they are changing, and the technicalities are just driving the ASCS office personnel crazy. They take off seed barley or seed oats,

but I bet nobody in this room ever had hybrid seed corn in a sack deducted from their amount. So it's one kind of seed, not another kind of seed. A lack of thinking through it. Now, I think the concept of not making it a production item was great. You don't go out and buy a lot of feed or cattle, buy a lot of feeder pigs, things like this, but as John talked about the time element from the gleam in the eye of the sire until it's produced, for hogs or cattle it is more than 6 months. People were involved in establishing these herds more than 6 months ago so all the animals should qualify. However, hogs or oats, shouldn't be on the market before 6 months and beef cattle are on their cows up to 6 months.

One of the other things that I have found even though you have just hogs and you may have raised corn with the intention of raising the grain, the value of the silage that you may have. In my case I actually gave it away because I had no use for it and I have never been able to feed silage to hogs and make them go to the market at 5 months of age like you are supposed to. The way it is with change of ration it may take 6, 7, or 8 months to get them there. And the restrictions are just unthinkable.

Senator McGOVERN. I had a call just last night here at the hotel from a farmer and feeder near Woonsocket and he said he's had a small supply of seed oats on hand and that that was counted against his count inventory and disqualified him from receiving feed grain assistance. Do you think that is fair?

Mr. HALL. No; I think it is perfectly ridiculous because they will count the seed oats or the seed barley but if you bought seed corn they don't count seed corn. Seed is seed. This is only some interpretation that they say one kind of seed should count and another kind shouldn't.

Senator McGOVERN. Who makes that judgment, who sets that guideline?

Mr. HALL. Our local committee was unable to find out. I asked them. I said do you in the office, I said, do you get any support, any directions from the State ASCS office and their answer was, "Well, they really thought that they had gotten nothing," that they do what they can as quickly as they can. In an emergency-type situation in many cases approvals were made in less than a week and this is real fast. But now 2 months have gone by and they are holding the reimbursements. You know they have tried their best and then the changes have come. One person was in and three changes came in on a conference phone call while the application was being made.

Senator McGOVERN. Les, you made a recommendation that we expand the crop insurance program, I believe, as a major way of dealing with drought. Did I understand you correctly on that?

Mr. STARNES. We only have certain crops that you can even insure—oats and such other crops should be insured. I think all crops should be insured.

Senator McGOVERN. Did you hear President Radcliffe say that in his judgment we can't depend too heavily on the crop insurance program to cover disasters because of the premium cost?

Mr. STARNES. Premium costs, I think the people that are having disaster would be less likely to take it out. They are not in any shape

to take insurance out. You still have to pay a premium. You've got to have a crop to pay. To get back to what he was talking about, one other thing that I think hurts in this disaster program is the feed that was sold after May 10 counting against you and certainly on May 10 there wasn't anybody in this State that had a disaster at that time. We all figured we were going to have crops, so anything that was sold certainly was not feed grain. In the spring we had payment due or some such thing and that and this counts against disaster payments or disaster eligibility. I don't think that should be counted. But that was my—our thinking on this crop insurance. I think we have to have disaster programs plus crop insurance, but I also think that crop insurance could be expanded.

Senator McGOVERN. My own view is that we need a combination, that existing disaster programs be improved in their administration and the responsibility for the operation but an improved crop insurance program be offered.

Mr. STARNES. Definitely.

Senator McGOVERN. John, do you have anything to add to what you have already said?

Mr. BEGEMAN. Not other than that when this disaster—this feed grain assistance, some of these feeds are very low value and they are counted. For example, oat straw—it's 53 percent of the value of a pound of grain where alfalfa hay is counted as 62 percent. And I think we all know as farmer-feeders that oat straw is now five-sixths of the value of alfalfa hay.

Senator McGOVERN. John, do you have anything you want to add to what you have already said?

Mr. BOHR. Yes, I do, Senator. I think that many of the problems that we are talking about here come back to one central idea and that is the problem of long-term planning. We haven't done too well in the past on that, and I am disappointed with it. During the depression the three largest problems were the problems of banks failing, the problems of the stock market failing and the drought. Well, quite a few Federal agencies have been developed to solve those first two problems, the problems of banking and the problems of stock markets. A lot of Federal money has gone into solving those problems. Unfortunately, we don't have any real drought legislation on the books and we have very little in the way of drought boards or commissions. So I think it's about time that we faced up to that problem. It exists now and it existed 40 years ago and it is going to exist 40 years from now.

Senator McGOVERN. I think this is a very good point. We do seem to do quite well in a short-term emergency. When we had the flood in Rapid City in 1972 it seemed to me that Federal and State emergency agencies moved very quickly and very efficiently and Rapid City came out of that economically in a very strong position. That city has been rebuilt. The Federal funds came in very fast, task forces have moved quickly and we were able to demonstrate that we had the capacity to meet the emergency. But a long-term disaster like this 3- or 4-year drought we are experiencing, we don't seem to have the machinery to deal with it, and I think you put your finger on it. We haven't really done any advanced planning. We haven't set up machinery at any

level of Government to deal with a slowly developing disaster of the kind that has hit us in this drought.

Mr. BOHR. You are quite correct, Senator, and I think we have to change this idea. We are crisis-oriented right now.

Senator MCGOVERN. Yes, we are.

Mr. BOHR. And that is fine when you are trying to solve some immediate problem, but you should be long-term oriented as well. And so I would like to see something done along these lines and I would think that since you appear to agree with the idea that you would try to do something along these lines.

Senator MCGOVERN. I appreciate your testimony. Well, gentlemen, I'm sorry we don't have more time for more questions, but we have other panels here to go this morning. So I want to thank you for your contributions. If you have additional testimony you want to submit for the hearing record, it will be open for another 10 days.

All right. The next panel is a group of gentlemen who are going to offer testimony on livestock and related tax-based problems. Mr. Richard Tschetter who is the vice president of the South Dakota Board of Education from Bridgewater. Mr. Les Blomberg from Faith, S. Dak. and Mr. Bob Samuelson from Faith. If you three gentlemen will come forward now we will put you on as a panel and give each of you a few minutes for an opening statement and then we will have some questions. I think we'll begin with Richard Tschetter of Bridgewater. Mr. Tschetter, we will glad to hear your statement. I am going to defer any questions until all four of you make any statement you wish to make in the way of opening remarks and then we will have questions.

STATEMENT OF RICHARD TSCHETTER, VICE PRESIDENT, SOUTH DAKOTA BOARD OF EDUCATION, BRIDGEWATER, S. DAK.*

Mr. TSCHETTER. I would like to thank you for this opportunity, Senator McGovern. As a member of the State Board of Education I know the problem that is facing us today in our State as a result of loss of revenue. And here are some of the reasons we are looking at, forced selldown of livestock, livestock moved to different locations, many out of State, reduced income to farmers and ranchers which could result in nonpayment of taxes, 19 counties in our State had a crop less than 90 percent of what they generally have. Forty-eight counties experienced a crop loss of about 50 percent. Thirty communities have serious water problems.

The results of this will not be felt fully until 1979. Here are some of the projections that we are looking at. At a State board meeting at Polo some of the schools came in and testified to the projected loss due to livestock selldown. Wolsey projects 3.4 percent less than last year, Redfield 3.5 percent loss, Wessington Springs 3.5 percent, Faulkton 5 percent loss, Hyde County 6.7 percent loss, Harrold 6.8 percent loss, Mellette 6.8 percent loss, Wessington 14 percent loss, Polo 25 percent loss. In the eastern part of our State where livestock is more dairy, we have about a 2 percent selldown. But as you know production is up, the farmers have sold their poor cattle, keeping their best cattle.

*See p. 191 for additional material supplied by Mr. Tschetter.

At a milk price at approximately \$8.63, I am 10 cents lower than John, I guess my Co-op isn't doing quite as good a job as his, we have quite a problem. We are out of hay, we are out of oats, we are out of corn and I did have some silage which in the first place in my case put me—out of one program. In a later evaluation I have qualified on both programs.

The State Board of Education and the staff have studied the possible actions that we can take. We have studied an establishment of a fund for elementary and secondary education, a disbursement based on needs, a loan of noninterest or low interest. We are seeking Federal aid. We are seeking more economies, and by these more economies many times we are talking about lowering of standards. The sad thing that I am facing you with today is in our own State government as of yesterday I know of no action that has come forward to alleviate our problem. But Tuesday has been designated as Education Day and at that time these problems will be looked at.

When 67 percent of these schools run or 67 percent of the school's budget is property tax, when 66 of our school districts are at maximum level, when the curriculum has been cut to the bare essentials, when the distance is so great between the farms that they say each farmer has to have their own tomcat, we can't do much for putting schools closer together. We are looking at a 6-percent inflation measure. We know our children and our school districts are in trouble. We are looking to you for some source of aid.

Senator MCGOVERN. Thank you very much, Mr. Tschetter. That is a very succinct, tightly drawn statement on a very complicated problem and I appreciate your manner of handling it. Les Blomberg, we will hear from you.

STATEMENT OF LESTER BLOMBERG, FAITH, S. DAK.

Mr. BLOMBERG. Thank you, Senator. I am Lester Blomberg of Faith, S. Dak. I am a grassroots rancher and I am also secretary and treasurer of the Meat Promoters of South Dakota.

The testimony that I and my coworker, Mr. Veal, chairman of the Meat Promoters will give relates the serious decline of a part of the overall farm problem, and I am speaking certainly about one of the major problems that is confronting our domestic livestock producers, that being the problem of imports of meat.

The Meat Import Control Act of 1964 has resulted in the United States becoming the dumping ground for over 2 billion pounds of meat in the past year. In spite of all that we can do domestically to bring our own markets up to an acceptance level we are continually faced with the import burden of foreign meat being channelized through our own depressed market. This forces our own American livestock producers to sell for less than one-half of the cost of production. We simply cannot continue under this present system of chained depression.

A few days ago our organization submitted a petition of complaint to the International Trade Commission. This petition is the result of 10 months of research and development. The Meat Promoters of South Dakota developed this petition with a tremendous amount of

assistance from Senator Abourezk and his staff, and the Meat Promoters are very grateful for this assistance, for without their help this petition could not have been prepared.

The petition shows that the South Dakota producers who documented their sales have lost over \$200 for every calf and yearly feeder sold in 1975. This loss is based on the difference between the average cost of production which has been determined by the Economic Research Service of the Department of Agriculture and actual cash sales.

Figures from the Department of Agriculture show us that it cost the American producer over \$80 to produce 100 pounds of calf or yearling. These same producers are selling their livestock for less than one-half of that figure.

And we feel that one of the major reasons for the continually depressed market facing the domestic producer is that we are forced to sell on a surplus market caused by a flood of import meat. We again feel that in order to correct this injustice placed on the American producer we must present this case before the International Trade Commission. This Commission is responsible to the President for recommending changes needed in the domestic tariff laws to protect American industries or products being hurt by foreign imports.

We strongly protest these foreign imports of meat: 32 percent of all of our cow meat or hamburger consumed in this country is imported meat. We have prepared a strong case showing that the existing quotas and tariffs are forcing the American family farmer into bankruptcy.

This is a sad injustice and "smack" of utter neglect of the family farmer on the part of import laws.

I'm going to turn the rest of this testimony over to Mr. Veal to explain our recommendation for change. Mr. Veal.

Senator McGOVERN. Francis Veal I think is president of the Meat Promoters of South Dakota. Francis, we are glad to have you here.

STATEMENT OF FRANCIS D. VEAL, VICE PRESIDENT, MEAT PROMOTERS OF SOUTH DAKOTA, MEADOW, S. DAK.

Mr. VEAL. Thank you, Senator. I am Francis D. Veal, president of the Meat Promoters of South Dakota. And I am a grassroots rancher and farmer residing in Perkins County.

And as Les Blomberg stated 32 percent of our cow meat consumed in the United States is imported. This does create problems within the livestock industry. Meat coming in from free trade ports which have supposedly been dampened, and the fact that live cattle as well as some processed meat come into this country in addition to the established quotas add to the existing surpluses. We feel all meat coming into this country, frozen, live, or processed, should be a part of the established quotas.

We do believe in free trade, but free trade means, as it does in the Common Market countries, a pound of meat imported for every pound of meat exported. This would help protect the livestock industry within the United States.

Cattle prices are below the cost of production and have been for some time. Imports, in any form, are factors involved in keeping live-stock cattle prices down. The fact that imports are allowed to increase as domestic production and consumption increases serves to lower the domestic market.

In view of this the following recommendations are respectively submitted by the Meat Promoters of South Dakota:

No 1: That import quotas be reduced and all beef, including live animals, coming into the United States be subject to import quotas.

No. 2: That the Meat Import Control Act of 1964 be revised to meet—be revised to meet current conditions and be tied to the supply of domestic beef.

No. 3: That the present 3-percent-per-pound tariff on imported beef be increased as follows: (a) The duty on all imported beef be set at 15 cents per pound up to 70 percent of the annual quota; (b) on imports in excess of 70 percent of quota the duty shall increase one-half cent per pound up to 100 percent of quota; (c) imports over 100 percent of quota shall be subject to an additional 5-cent-per-pound duty. Revenue from the increased duty could be used to expand school lunch, welfare, meat stamps for the needy and other related programs such as help for the elderly who today are found buying cat food and dog food to add meat into their diet. It is a disgrace to the American system that we permit this to happen to our elderly who have made their contributions to the United States—contributions to the United States for so many years.

Farmers and ranchers cannot continue to sell their products for less than the cost of production and stay in business. If the present situation continues it can only end with a loss of more farms and ranches. This is a beginning of a chain reaction.

Those who are forced to sell out will be unemployed. They will have to find work locally, which is doubtful, or go to the city and look for a job that may not exist or go on welfare.

They will not be buying farm machinery, equipment, cars, trucks, tires and the multitude of other products manufactured by the urban sector. This ripples through the entire economy and ends up with more unemployment. This is a high price to pay for the producer not getting an adequate price.

The family farmer and rancher made this country what it is today. I hope the Congress and the new administration will work together to draft the most progressive and beneficial farm program that is possible. We strongly feel that even though the number of farmers and ranchers have consistently dwindled, this industry is still making one of the biggest contributions of all industries, feeding the people of the world. We feel that no step is big enough if it aids the survival of the Nation's family farmers and ranchers.

Mr. Chairman, on behalf of the Meat Promoters of South Dakota I want to thank you for the opportunity to testify here today.

Senator McGOVERN. Thank you very much, Francis. We appreciate your testimony, and I want to ask you and Les Blomberg and Bob some questions on this beef situation a little later on that I think may be of some help, but we want to hear first from Bob Samuelson.

STATEMENT OF BOB SAMUELSON, FAITH, S. DAK.

Mr. SAMUELSON. My name is Bob Samuelson. I am a rancher from Faith, S. Dak. I am also chairman of the board of the Northwest South Dakota Production Credit Association. This association has some \$14 million in loans outstanding to farmers and ranchers in northwestern South Dakota. I want to thank you, Senator McGovern, for conducting this hearing and for giving me an opportunity to participate in it. My testimony will not deal with the specifics of pending farm legislation, rather it will be a few brief observations of current agricultural conditions.

As I have already stated I am associated with the Northwest South Dakota Production Credit Association. I have been a member of that association for nearly 50 years and a director for the last 17 years. I am here today because of my concern over the rapid deterioration of the capital structure of the average family agriculture operation, especially within the past 18 months. The need is immediate, Senator. We are seeing the debt to asset ratio declining to the one to one position, and this is an extremely dangerous situation. We have been caught between rapidly rising production costs on the one hand and lower prices for our products on the other. These negative factors have been extenuated by a devastating drought in the Midwest. This has caused a severe drought and production of grain for the farmers and a staggering feed cost for the livestock producer. Is it any wonder that the family farmer is rapidly reaching the end of his economic resources? The farmer can continue to sell his produce below the cost of production for only so long. The inevitable result of such a business procedure is bankruptcy.

I am very much concerned that we are much closer to a food cartel than anyone would have believed a few years ago. The proposed Ag-Land One lends credence to this argument. Surely now is the time for a strong Federal legislative program supporting the family farmer. Two hundred and five million Americans believe a cheap food policy begins and ends with the 8 million of us who produce that food.

So this morning I would like to add my voice to yours, Senator, in defending the need for insuring a decent income for the Nation's farmers. If this doesn't become a reality the Ag-Land One will. Then we will see the beginning of the food cartel, of the control of production of food and fiber to the point that it is possible to control the price structure of food markets. When this—then this will mean disproportionate share of the consumer's dollar will be spent for food, auto workers will be laid off, the housing industry will suffer, the manufacturer of hard goods will slow to a trickle because the consumer must use a high percentage of spendable income for food.

This then is the focal point of my testimony this morning, Senator, and it is directed toward your colleagues in the Congress. I would urge them to support your efforts to preserve the family farmer and in so doing they will strengthen the whole economy. Federal dollars spent to strengthen the family farmer reap benefits for the whole Nation. In truth, the family farmer is the cornerstone of the Nation's economy. Thank you for your attention.

Senator McGOVERN. Thank you for your testimony.

Mr. Tschetter, in your opening statement you said that about 67 percent of the school budget comes from the property tax.

Mr. TSCHETTER. Yes, sir.

Senator McGOVERN. Where does the balance of that budget come from, the remaining third?

Mr. TSCHETTER. I think it figures up about equal shares from Federal programs and from the State.

Senator McGOVERN. When you talked about the necessity of lowering standards, what do you specifically mean? What are we faced with in terms of reduced academic offerings in this State if we can't find some way of getting on top of this financing crisis?

Mr. TSCHETTER. Areas—special education, look at one area which we are federally funded, but the regulations are pretty stiff, so this means we are looking at lowering the requirements of teachers to let a specific teacher that is already in the system there handle it. The area for counselors, we are looking to lower the standards of this particular counselor to allow people within the staff to handle it. We have 26 subjects which are to be offered. We are trying to let schools contract with neighboring schools to offer subjects on alternating years.

Senator McGOVERN. I think people who aren't directly involved, as you are, in school financing and in tax matters may not understand the relationship between what is happening to the forced sale of livestock, the decline in that farm income and your school revenues. Can you just in a few words explain how that relationship works, why it is that we are faced with a funding crisis in the schools as a partial outgrowth of the drought and the agricultural recession?

Mr. TSCHETTER. I don't know if I exactly understand your question, but I will make an attempt.

Senator McGOVERN. In other words, why are school revenues going down?

Mr. TSCHETTER. When the amount of livestock, and in some of these areas \$38 million less livestock is to be taxed, the amount of money that we will get is from 6 to 25 percent less funds. We have a 6-percent inflation factor. There has to be a way to cut. We have 66 schools that are already at their 24 and 40 mils. They have nowhere to go, so we are pleading our case.

Senator McGOVERN. Thank you. If I could turn to the other members of the panel, I think that everyone who lives in South Dakota understands the importance of the livestock contribution to our total economy. Les, you and Francis both stressed the impact of meat imports on our structure here at this time. What level of imports do you recommend to the Congress, what would you like to see us do in the way of tightening up on the quota system or on the tariffs we charge? How can we get at that situation without completely going over to a protection system that would just make it impossible for us to deal with other countries?

Mr. BLOMBERG. First of all, we feel that the Trade Act of 1964 is obsolete in today's system.

Senator McGOVERN. Too many loopholes?

Mr. **BLOMBERG**. Too many loopholes and even though in the last 5 years there hasn't been an overall increase in the total, this is a problem that—the ITC saw this, the fact that we haven't had a continuing rise in this. But our problems go back for 10 years. I mean it goes beyond this. So we are saying that take a year, and we are talking about a study which was based on the year 1975, so we are saying in this petition we are asking—we are recommending to the ITC that no more than 50 percent of the 1975 quotas be permitted in this country, and to make that quota include all meat, not just the quota, but we are talking about live animals and we are talking about the canned meats and we are talking about the meat that is shipped in through the free port; that all of these be included as quota meat, and then reduce this figure down to establish a set quota figure. And then to base the tariff on this new quota system. This sliding scale tariff that we talked about was mentioned in Senator Abourezk's testimony.

Senator **McGOVERN**. Yes.

Mr. **BLOMBERG**. Where you base this—for the most part the tariff is presently about 3 cents a pound. It does fluctuate a little. What we are saying is this should be based at 15 cents, adjusted to a high of 30 cents as these percentages are reached to the quota itself.

Senator **McGOVERN**. What do you gentlemen think of President Radcliffe's recommendation that maybe we have reached a point where we have to begin thinking about some kind of income stabilization program on livestock, perhaps one that is triggered by a referendum of livestock producers? Anyone want to comment on that?

Mr. **SAMUELSON**. I personally feel that the time has come when we have to take whatever measures, and that is a broad statement. But I think that the economy of the family farmer has reached the point where the next 10 to 12 months could see the system that we know disappear into bankruptcy, and I think that that means that we have got to take some rather drastic steps, and in order to take those steps we have got to convince those 208 million Americans that the 8 million of us are important. I must admire the opposition that you have had to face as you have tried to move farm legislation through an urban Congress. But this is where we have got to start. Certainly I agree with Mr. Radcliffe, we have got to take those steps in order to save the system. But can we take those steps in the face of the opposition from 208 million Americans?

Senator **McGOVERN**. I want to make a statement on the record that came out of the Senate Select Nutrition Committee that I think was misunderstood. It was translated in some news reports into a plea to the American people to eat less meat. That was not the thrust of that report at all as anyone knows who has studied the recommendations of the committee. What the dietary goal study said is that Americans are eating too much fat, too much saturated fat, they are eating too much in the way of sugar, they are eating too much in the way of salt, and the committee recommended that Americans eat more cereals, that they eat more vegetables and fruits. But we did not recommend that beef be eliminated from the American diet. What we said is that we hope that more lean meat would be available. There isn't any better source of protein than red meat and I say that as one

who has given a lot of study to the nutritional concerns of the American people. But it's been my hope that we can work with the livestock industry in encouraging more lean meat. I think that involves a continuation of the effort we have been making to change the grading standards. We are going to have representatives of the American National Cattlemen's Association testifying before our committee next month. I've been meeting with them for some time now and they are interested, as I understand it, and I think this speaks for a good share of the livestock industry, in encouraging a greater consumption, as well as a greater production of lean meat. This may mean marketing livestock somewhat earlier than we have been accustomed to in recent years. It may mean some further changes in the grading standards, but it has occurred to me that if one of the problems in maintaining a fair return to the producers is that we have too much—too many cattle in the country today, maybe one way to deal with that problem is to market them at a somewhat lighter weight. I think we could do that without reducing the standard of the beef, and I think the Consumer Federation made a serious mistake a year or so ago when they said the Department of Agriculture was trying to change the grading standards to encourage greater emphasis on lean cuts of beef. But I make that statement today simply because I don't want anybody to get the impression that a Senator from South Dakota is going around the country urging people to eat less beef. I would like to see us eat less fat, but not less beef. If any of you want to comment on your own concerns on that question, I would be glad to have you do so. If not I want to thank you for your testimony, and we now have another panel that we want to hear from. I thank you gentlemen for your contribution.

The next three witnesses are Mr. Olaf Jacobson and Mr. Tom Greenway of my hometown of Mitchell who are here representing the Lower James Conservancy subdivision, and Mr. Leland Kleinsasser representing the Beadle County Water Users Association, and these three gentlemen will testify on irrigation farming. We will give you each an opportunity for an opening statement and then I will have some questions.

I might say that Governor Kneip and Congressman Abdnor are going to be with us very shortly. We also have Mr. Lawrence Brown of Buffalo, S. Dak. waiting to testify, and they will follow immediately on the testimony of the irrigation panel.

How do you want to begin? Do you want to start, Olaf?

STATEMENT OF OLAF JACOBSON, MITCHELL, S. DAK.

Mr. JACOBSON. Mr. Senator, I am going to yield my time in the sense of—in the short time that we have to Tommy. Mr. Greenway is the vice chairman of our board and has done a tremendous amount of work on this topic that we want to discuss. But first of all, Senator, I want to thank you personally for coming out here and holding these hearings, and I want to also thank you very much for the strong position you have taken on water development work in the State of South Dakota. We appreciate it immensely.

Senator MCGOVERN. Thank you, Mr. Jacobson. I appreciate that. We will hear from Tom Greenway now.

STATEMENT OF TOM GREENWAY, LOWER JAMES CONSERVANCY
SUBDISTRICT, MITCHELL, S. DAK.

Mr. GREENWAY. Senator McGovern, ladies and gentlemen, I am Tom Greenway. I live northwest of Mitchell. I farm over 1,100 acres. I run a grade A dairy, approximately 80 cows, and I have a finished hog operation along with some stock cows. Much discussion has centered around the new farm bill this morning and I would like to direct my thoughts and talk on something just a little bit different, and that would be on what the farm program has done for South Dakota in the last couple of years.

We know it has shortcomings and we know it needs some improvements, and I think one improvement that we should try to get into the new legislation is the fact that oats are not considered a feed grain program at the time. Now, the five Upper Midwestern States which include South Dakota produce over 60 percent of the oats in the United States. And in my particular county oats are considered a feed grain, but they are not figured under the farm program as it is now. So I think that is one thing that should be taken into consideration in the new farm program bill.

What I would like to bring out here this morning is the fact that in the last 2 years \$96,652,000 have been paid to South Dakota farmers for yields, low-yield payments, and of that \$96 million over \$72 million of it was paid in 1976. Now, this is just for low-yield payments for crops. It does not include hay transportation, low-interest money to the FHA or any government help on the corn or oat program. I think that we need these strong farm programs, and I think that you have heard enough testimony this morning from a lot of different people urging you and asking you to put other programs or other parts into the farm program to make it even better. But I think what we really should be looking at is what somebody mentioned this morning is that we should have a long-range program for problems that exist in South Dakota as far as the drought is concerned, and I am talking about water development as one of our major goals.

The Lower James Conservancy Sub-Division which is composed of 6½ counties just west of the James River received \$11,330,000 in low-yield payments just last year. And Davison County alone which is my own county has received over \$119,000 in hay transportation, and the program hasn't been completed. In fact, it is just really getting started good in there. And another point I think I should bring out is the fact that the 15½ county area that is considered the Oahe Conservancy Sub-District received over \$39 million for low-yield crops in the last 2 years, and it was over one-third of the total that was paid in the State of South Dakota.

Now, the Lower James Conservancy Sub-Division as you are well aware of, Senator McGovern, has attempted to secure water for its members for irrigation, industrial and municipal use, and for that matter all of eastern South Dakota. We are asking for a modification of the Oahe project that that water could be brought down into the Firesteel, Sand Creek and then could be used for irrigation purposes and also water for the city of Mitchell. Hopefully our efforts will pay off. I think we should mention that only one farmer

in Davison County in 1976 that was irrigated received any low-yield payment, and that was because of a hailstorm.

The farmers of South Dakota, there is no question in my mind, need and desire good strong farm programs, but we certainly shouldn't forget water development as a long-range solution to some of our problems. Thank you.

Senator MCGOVERN. Thank you very much, Mr. Greenway and Mr. Jacobson. Before I ask any questions I will give Leland Kleinsasser a chance to be heard.

I must say, however, we really have a critical water problem in Mitchell, in my hometown. I know a good many of you who are here. I doubt if there is any town in South Dakota that is faced with any more crucial problem than we have right in Mitchell in terms of our domestic water supply. Lake Mitchell which has always been a rather dependable source of water is at as low a level as I have ever seen it, and there is no immediate relief in sight. So far whatever it is worth to you, you have a Senator who comes from a town that is painfully aware of how precious that water is and how we need to look to the future in terms of its development. Mr. Kleinsasser's is another town with a problem that is very similar.

STATEMENT OF LELAND KLEINSASSER, BEADLE COUNTY WATER USERS ASSOCIATION, HURON, S. DAK.

Mr. KLEINSASSER. I am Leland Kleinsasser. I am a farmer-irrigator from northeast of Huron. I also chair many of the Beadle County Water Users Group Association which is a group of farmers and irrigators promoting the development of all water resources for Beadle County and, of course, the State of South Dakota. I too thank you for coming back home to set up a meeting like this to keep grassroots contact with the people of South Dakota. I appreciate it very much. On behalf—as a farmer-irrigator and also on behalf of my group I also want to commend and thank you for your support and work on the Oahe project. We are very much concerned about the Oahe project, and I want to pledge our support to you in doing everything possible to complete the project.

When the project is completed it's only going to take less than 3 percent of the water in the Missouri River that flows into the Mississippi each year to operate the Oahe project, and I don't think we are selfish in asking for the water for eastern South Dakota which, of course, not only will benefit the irrigator, but many citizens of Aberdeen and Huron, Mitchell and others along the—down on the James River.

I irrigate off the James River and I watch that river during the irrigation season almost closer than my wife because every morning I wonder how much it's going down, but I want to address my problem or my concerns this afternoon to the irrigating areas that the irrigator has in relationship to the dryland unit which is concerned with the low-yield payment.

Now, I think I have a typical unit as a farmer. Now, you know that irrigation is growing by leaps and bounds in South Dakota and each farmer, when he goes into irrigation, usually goes into it about

one unit at a time. It's expensive. It costs about \$50,000 to set up an irrigating quarter. There is a lot of money involved there, and he starts into it very slowly and works into it according to his water resources and his financial resources. But I want to give my unit—I think I have a typical unit. My brother and I farm together. He has a separate unit, I have a separate unit and we also have a unit together, but I want to refer only to my unit which contains only one irrigation system out of a well. We would like to see—as an irrigator we would like to see in the new law something written into the new law that would separate our irrigated acres from our dryland acres so that in a drought year such as this year we would not lose a low-yield payment. Now, I don't want to condone the low-yield payment because that is an insurance policy that we have without a premium payment and it is certainly good. But in my case, for example, I had 195 acres of corn. Sixty of those acres were irrigated, and because of the irrigated yield it kicked me out of the low-yield payment. So of the 130 acres of dryland which was zero yield I received no payment. And I realized—I want to go on record here as an irrigator, and I am sure that I can speak for the irrigators in Beadle County in South Dakota, we don't want to see anything written into the law that would hurt the dryland farmers because we are dryland farmers as well. If somehow we could get it in the new law, in the new farm program something written in there that would separate the irrigated acres from the dryland acres and those—if we run into another drought year we would receive a low-yield payment from those dryland acres that we lose.

In my case if I wouldn't have had any irrigated acres I would have received a \$4,056 payment for a low yield. But because of those 60 acres of irrigated corn I was kicked out of that payment. Now, true, I received some corn although it wasn't as good as it should have been because of the heat stress and everything else this year. Everything worked against us. I did have some benefit, but we feel that irrigated acres in yield give us—although it gives us extra benefits we also pour in thousands and thousands of dollars into the economy, and so we are still asking that we receive the low-yield payment.

For example, a personal property tax which practically runs, as we have already heard, our public school systems, a system set up at our request, a system of a well and pump and motor, my system will run about \$500 extra personal property, so with the benefits of irrigation there are also extra expenses, and so I would address that portion of the separation of irrigated acres from the dryland acres. Thank you.

Senator McGOVERN. Thank you for your testimony, Mr. Kleinsasser. I think Tom Greenway made a good point on the need for long-term water development planning in the State. This is a field that Olaf Jacobson and others in the room have been interested in for a good many years. But next to the land the water is really our lifeline in South Dakota. We have seen over the last few years how close we are to the drought line of all times. We seldom get above a 20-inch rainfall pattern which is about what it takes to produce a

crop, and as South Dakotans know we have fallen to half that in a good part of the State last year and in some parts for several years.

One of the things that has distressed me as much as anything that has happened is the way the Oahe project has come under fire. I realize there are probably some people here in the room that are opposed to that project. I personally think that if we lose it it's going to be a catastrophic blow to the economy of South Dakota. We desperately need to bring that water to the land through the Oahe system, and also to make the water available to our municipal areas in the State. I am wondering if any of you can shed any light on the question of why the election came out the way it did in 1976 in terms of the Oahe board. It would appear, at least on the surface, that we elected a number of people who are opposed to the project. Is that a correct interpretation of what happened last year?

MR. KLEINSASSER. Senator, I have been in contact with the sub-district board members, most of them individually, and if you check what they have said and what they said during the campaign, I think all of them campaigned in favor of the project with reservations. While I think we can only say we are for the project with reservations and I think they were elected on that basis. And there are individuals on that board that are using that now I believe as a method of trying to kill the project. They are hiding behind some smokescreen of, you know, technical points. But they are for the project. They campaigned for the project with reservations and they were elected I believe on that basis.

Senator McGOVERN. Well, now I hope that is right. That has been my own interpretation of the election results, that there were a great many South Dakotans who questioned some aspect of the problem. For example, we have had some people who thought that those along the right of way of the canal coming across from the Oahe Reservoir, ought to be permitted to tap into the water even though they are not officially part of the irrigation area. It seems to me that is a concession we ought to be willing to make to save this project. There are other modifications that could be made. We hear a great deal of concern about what the runoff is going to do to degrade the Jim River. Well, I have lived near the Jim River all my life and I am not sure that that is the clear sparkling stream that a lot of people have in their minds. A good part of the year it doesn't run at all. And it does seem to me that we have exaggerated the environmental impact of putting irrigation runoff water into the Jim River. As a matter of fact, I think it would upgrade the river and I think the studies show that, and it would certainly improve our municipal water sources. Mr. Jacobson.

MR. JACOBSON. I would like to make just one comment on that, Senator. I think the thing that—we have been using this argument constantly about draining the river but I think we have to remember one thing, that that water in that river is protected under the Environmental Act.

Senator McGOVERN. Yes, it is.

Mr. JACOBSON. So this is actually a type of propaganda that I think we have to take with a grain of salt, and as you pointed out, I too live fairly close to the river and I know something about it and certainly I agree with you that it would update—it would make that river water actually better than it is normally during the year.

I wanted to reemphasize one point that Tommy brought out and I won't take much time, but I think the point that should be considered here is that at the present time some \$41 million have been invested in the Oahe project which virtually completes the pumping plant and part of the Pierre Canal and some of the bridges. And I think the interesting thing to note is that actually in just low-yield payments in that district were \$39 million, virtually the same amount that we have used, and I am not condemning the project. I am glad we have got it. The farmers have to have it, but nevertheless about the same amount went into that project this year as we have already invested into low-yield payments, that we have already invested in the project. And I think what we are looking at is that while we do need these temporary programs we need to look at the long-term effect of trying to get away from some of these problems.

Senator MCGOVERN. Well, it occurred to me that while some of the other witnesses were talking about the hay program. I realize that hasn't been a perfect program, I don't think anybody thought it would be, but if we had the Oahe unit and other irrigation units operating in the State including in the lower James area, we would have a more assured supply of feed. We wouldn't be so dependent on hauling hay from Canada and hauling it from North Dakota and other places, and it seems to me that is one thing that has escaped our notice. We hear a great deal of ridicule about the fact that we are only going to have 190,000 acres in the first unit of the Oahe, and that we are going to have flooded a lot of land to get that. Well, the reservoir is already there. We have already paid the principal cost of irrigation which is to provide these enormous impoundments on the Missouri River. Now, the question is to we have the commonsense to tackle those reservoirs and use that water to irrigate the land and also to provide our cities and towns with the domestic water supply. There is no reason, as I see it, why in the future any city or municipality or agricultural area in this State needs to go without needed reserves of water. We do have these enormous impoundments on the Missouri and we ought to be able to figure out some way to bring that water to alleviate the needs of the State.

Mr. KLEINSASSER. Senator, some of the subdistrict board members have told me that most of the tension now with the Oahe project is in the mitigation of wildlife land. So we as a county water users group, and there are five or six up there just in the subdivision, are going to try to circulate petitions asking that fish and wildlife only buy their land from willing sellers over a period of say 15 or 20 years. And we feel if this can be done, I know it's going to be quite a task dealing with fish and wildlife, but we feel if this can be done it's going to take a lot of tension from the landowners, and nobody wants to see land condemned and taken away. We feel that over a period of years there will be plenty of opportunity to provide land for fish and wildlife.

Senator McGOVERN. Well, I think these are all concerns that can be met. I am sure the project is flexible enough so that some of these modifications can be made. Nobody wants to proceed with the idea that the project is immovable and so inflexible that certain suggestions can't be made.

Well, I want to thank you gentlemen for your presentation. I appreciate it. Lawrence Brown, can we hear from you now and then I understand there is one other gentleman, Larry Rupiper from Yankton County who wants to be heard. Maybe Lawrence could come up and Larry could come up and appear with Mr. Brown.

Mr. Lawrence Brown is a longtime agriculturalist from the western part of our State and Buffalo, S. Dak. He is also editor of the Nation's Center News which is a very lively journal of opinion and news, and we are glad to have you here, Mr. Brown.

STATEMENT OF LAWRENCE BROWN, EDITOR, NATION'S CENTER NEWS, BUFFALO, S. DAK.*

Mr. BROWN. Well, thank you, Senator. I very much appreciate being able to appear on this panel, and I certainly appreciate your taking the time and interest to come out here and consult the people on what their problems may be. I am going to address just a few remarks on things that I have been trying to cover in my newspaper and some of the problems that may be of a little bit different nature than what has been expressed here this morning.

I think maybe one of the things that agriculture should be addressing itself to more would be economy and conservation. By this I mean we could produce more of our own fertilizer, for example. It seems like we are in a kind of crazy situation when we use fossil fuel to manufacture farm fertilizers when the fossil fuels are in short supply, to produce an abundance of crop that is in excess supply at the moment. And it would seem like we could do more—some type of a program to divert some of our production of farmland into producing our own fertilizer. I think alfalfa, plowed down, sweet clover, more of this type of thing could be done. I don't think we can banish the use of nitrogen fertilizer completely, but we could certainly head in this direction.

Then there is another thing that may be practiced right out on the farm. This is just plain old Scottish thrift, not from a personal standpoint, but I think many of our farming practices are directed to maximizing production when we could give a little more thought to economies of production that may give us as much net income and reduce the total production and maybe just a little bit more economically.

I think along those lines we might also consider the thing that you mentioned in your talk of the wasteful practice of excess fattening of cattle, and I have talked about this over the last 2 or 3 years about lean beef, junior choice I would like to call it, because we produce a lot of feeder cattle out our way that weigh 700 pounds, and it would seem like we could reduce total tonnage of beef by marketing these

*See p. 198.

things that may be in the 800-, 850-pound level rather than pushing them all the way up to 1,000 or 1,200 pounds on hot rations of grain feeding, and this would be an economy that we could consider a little bit more.

Senator MCGOVERN. Wouldn't the livestock producers come out better on that kind of an arrangement in terms of their own profit?

Mr. BROWN. I would certainly think so. I think that this is an area that is needed within the industry. Even feedlot production can be made—there are two ways you can feed, for growth or you can feed for fast gains and I think we could address ourselves a bit more to the growth area rather than the high fattening ratios.

Senator MCGOVERN. Have you come in for some of the criticism that I have experienced in trying to suggest some change in livestock feeding patterns?

Mr. BROWN. Yes, I have. I get a lot of criticism in my own hometown, and I have backed away from the subject because I have taken a little too much heat on it and—I didn't mind talking on that here 6 months to a year ago I guess, and I just happened to think of this as a sideline.

Another thing we could do would be more dynamic marketing. Now, new product development, and that is an area that we certainly should be working on in our farm markets, and considering Nebraska has done some research, what they call a Gas-A-Hol research program to make industrial alcohol out of corn or any kind of grain. They tell me that they could produce about 4 gallons of industry alcohol out of a bushel of corn and still have a feedable residue left over in that corn, so that is something that we could be doing more of. They claim that sunflower stalks, for example, have more Btu's of heat in them than coal. So many things can be done toward energy production out on the farm, and along with that we could also think about new crop—fibrous crops that could be made into building boards and things of this type. There are things that could divert some of this production, if we do indeed have an excess, it could be diverted to other products. So that is the research that certainly, I think we should have more of.

Another thing that I would like to see, I have tried to research for foreign markets, and the only market I can find that is published on a world basis is the Rotterdam market, and it would seem like the Wall Street Journal or any of your commodity papers publish metal and various commodities on a regular basis. Yet grains, you can't find any real world markets on grains. Now, the Rotterdam market at the moment is pointing upward a little bit. So I would think that this would give us a little to work on and a little more understanding of our own industry if we had an available market from several points in the world on world trade, and this seems to be something of a secret the way it is at the present time.

Another thing that I want to bring out is the grain inspections. We have been told many times that we have 17 percent excess dockage or foreign matter going into some of our exported grains. And we have a new commission to investigate this and they are starting to look for the seashells and sand up here at Scranton, N. Dak. It would

look like we should consider the added—the dockage that has been added in. I don't know how this is all arrived at, but we have heard so many times of the foreign matter that has been shipped to foreign countries has depleted the quality of our grain and given us something of a bad reputation in shipment. So this is an area that I would like to see worked on a little bit more.

One last thing since the bell I would like to ask, in our community, we are out in a 14-inch rainfall area where we need to do quite a little summer fallowing to produce crops. Some of the farmers are considering fence row to fence row farming and using up this summer fallow ground that would be normally put into summer fallow in anticipation of crop history that may come back to haunt them, you see, during the next period of years. Now, I would think that some type of insurance should be in order so we don't have to revert to an abnormal farming practice just to build acreage history for this particular year going into the farm program.

I guess that is the end of my remarks and I thank you.

Senator McGOVERN. Thank you very much, Mr. Brown. We will now give Larry Rupiper of Yankton, S. Dak. a chance to be heard.

STATEMENT OF LARRY RUPIPER, YANKTON, S. DAK.

Mr. RUPIPER. Senator McGovern, ladies and gentlemen, I am Larry Rupiper and I am from the Yankton, S. Dak. area. My address is Utica and I am going to devote a little bit of my time, most of my time on the insurance program that was submitted and discussed a little bit earlier in the testimony.

Now, I believe quite frankly that we can justify an insurance program not only in the State of South Dakota, but also in the United States. The program will assist farmers and ranchers if they have realized a 25-percent reduction in crop income. Now, this has kind of been proposed. We talked about this earlier in the year and this kind of been the proposal, 25-percent reduction in crop income. Well, I believe that I have got some statistics here that will prove that we can pay a premium to protect us from these devastating crop droughts.

Senator McGOVERN. I might just say to the audience that I was in Yankton some months ago and Mr. Rupiper told me about his idea on the crop insurance and I asked him to give some further thought to it and to this subject, and then submit his ideas. So that is what is happening here this afternoon.

Mr. RUPIPER. Well, as I did check on statistics in South Dakota crop production I came to find out that the average corn yield in the last 5 years is some 99 million bushels. Now, this ranged all the way from 154 million back in 1972 to a low of 37 million in the current year of 1976. So the average between those two figures comes to 99 million bushels. Now, paying on a 25 percent loss of average production the insurance program would be paying on 74 million—or the production dropping below 74 million bushels. Now, if this yield drops down below the 25 percent then the insurance program, the 50 percent insurance program sponsored in part by the American farmer—South Dakota farmer and the Government would come in and pay for the crop loss.

And to pay for the program I have come up with a figure of a mere 5 cents per bushel added on to the cost of production, the cost of production being in 1974 which is the most recent data that I could get my hands on is about \$2.94 a bushel. And this did take into consideration an intense study made by the congressional committee in 1974 on current land values. And, using those current land values, I come to find out that the production of corn was somewhat around \$2.94 per bushel and that production cost, if it's taken away from the current market value of 1974 would leave approximately 11 cents net profit on a bushel of corn, and it's quite similar on beans and other crops. But if we were to submit a 50 percent premium along with the Government's 50 percent of the premium we would have—

Senator McGOVERN. You would split the premium cost between the farmer and the Federal Government, is that right?

Mr. RUPPER. That is correct. We would pay a mere 2.5 cents per bushel to have this insurance protection statistically. The Government would come in and pay another 2.5 cents.

Senator McGOVERN. How big a loss under your formula would a farmer have to suffer before he would become eligible for crop insurance payments?

Mr. RUPPER. He would have suffer a loss of 25 percent of the average yield. Now, we would have to go back and refer to the county ASCS offices and get the average in that county because we couldn't very well use a statewide average. So if he received a 25 percent reduction in yield he would then be eligible to receive payment on the production cost up to, I think, I feel 75 percent of the production cost rather than 25 because I feel that a mere 2.5 cents per bushel is not that much money for a farmer to insert every—each and every year as a part of the premium, and I think that by taking it up and putting a level of 75 percent payment on it, 75 percent of the cost of production, it would cost him a—have a total cost of 12½ cents on the crop.

Senator McGOVERN. Under your formula if a farmer had a loss say of \$40,000 you would cover up to \$30,000 of that under the—

Mr. RUPPER. That is correct. Now, to give you an idea just what this would amount to I have got some figures here. It would amount to \$27 million last year paid—we had a \$37 million production of corn last year in the State of South Dakota. Now, had we paid on 25 percent we would have only paid out \$27 million to the insurance company. This is less than half the amount paid out directly by crop assistance programs in the State of South Dakota this past year which I believe was mentioned earlier some \$74–\$76 million that has been paid out. So I think that we can truly justify paying a premium possibly 6½ cents per bushel operating expense and taking that on as a—

Senator McGOVERN. Would you substitute this crop insurance program for the existing disaster relief programs, or do you see it as a supplement to what we are now doing?

Mr. RUPPER. Well, Senator, I think that we could possibly alleviate some of the disaster programs if we had this particular program. I think that on the long haul the average in a 10-year span perhaps each farmer would be paying in and hopefully we would get maybe

a 75 percent—75 percent of the farmers involved in this program whereby he would split his insurance premium each and every year along with Government insertion, and there would be adequate funds available then when and where the drought existed.

And so I think that it would be very possible for a drought program such as this and insurance program made available in South Dakota. I think that there still should be a provision for an emergency, not only drought, but disaster program if there is an area emergency. I don't by any means think we have to completely delete this provision. But I do sincerely believe that there is a definite need for a program such as I have mentioned so we can sit down and in the best years invest some premium dollars so in the lean years we can take from that, because as it has been in the past several years the farmers have been receiving disaster payments as a mere helping hand and they get a little shove, a little push to keep in operation and not really helping them that much. It's deeply appreciated by the farmer, not viewed very highly by the urban people. They don't particularly care for farmers getting a handout from the Federal Government and State government, and I think this would be viewed by the general public of the United States, not only of South Dakota, as a very decent-type program where the farmer would have invested a premium in his part of this program.

Senator McGOVERN. We appreciate your suggestion.

Mr. RUPPER. I would be glad to submit some more figures. I am not as totally prepared as some of the gentlemen have been in text.

Senator McGOVERN. In view of our limited time why don't you submit any additional information you have. We will keep the hearing record open for a couple of weeks.

I want to ask Lawrence Brown a question before he leaves on this cattle suggestion. I know what you have in mind in recommending the marketing of livestock at a lighter weight is not only saving in feed, but also to work down these cattle numbers. If they go to market a little sooner you are going to have fewer cattle around. Presumably, that is going to help on the price side. What about the consumer, do you think that American consumers can learn to eat beef that is marketed say at 850 or 900 pounds instead of 1,000 pounds and is not going to have all that juicy fat in it, do you think they will buy it?

Mr. BROWN. Yes, I believe so. The lighter critter would be a tender, juicy product. Now, I think the objection to grass beef has historically been because the grass beef that we normally think about is the old cow or the mature steer that used to be grown out here on grass and are 4, 5 years old.

Senator McGOVERN. Those are the ones from which hamburger is processed.

Mr. BROWN. Right. We are talking in this junior choice beef would be a yearling to 2-year-old animal, you see, that would not be fully matured.

Senator McGOVERN. I hope you and I can form an alliance on this. We are probably both in enough trouble, so we need to stay together. But I do appreciate your testimony. Thank you for your views.

Congressman Abdnor has come into the room. I don't know anybody who has traveled around the State any more than he has in recent months or talked to more people. And, Jim, you can either testify at the witness table or I will give you my chair if you prefer.

STATEMENT OF HON. JAMES ABDNOR, A REPRESENTATIVE IN CONGRESS FROM THE SECOND DISTRICT OF SOUTH DAKOTA

Mr. ABDNOR. Thank you, Senator. This is fine. Senator McGovern, I guess I should say chairman in this case, I certainly want to commend you and I know the farmers of South Dakota thank you for bringing Washington to our State so that we might make our voice heard in the deliberations on the 1977 general farm bill which is so vital to all of us.

I have recently, as you just said, completed a whirlwind week and a half tour of my district during which I conducted three 2-hour give-and-take discussions almost each day. These meetings were aimed primarily at farmers, and our interchange ranged from the general farm bill to disaster programs, water resource development, and whatever else was on their minds. My travels encompassed over 2,000 miles and I visited with about one farmer per mile. My testimony is based on what they told me.

First, if I could talk a little bit about the general philosophy of what I found among farmers. Even though much of South Dakota has been gripped by the worst drought on record, the prevailing attitude seemed to be characterized by the comment made by one farmer who said with assurance, and I don't mind telling you, "the big disaster is in Washington." Clearly South Dakota farmers are wary of governmental programs which purport to do one thing, but often do something very different.

And in fairness it must be pointed out that some farmers, chiefly those with more seniority as we say in Congress, feel domestic and world agricultural factors require a return to a more restrictive farm program with higher price supports. Invariably, however, a show of hands at each meeting demonstrated that the large majority favor the freedom to produce for the market as provided by the farm program of recent years.

One farmer went so far as to suggest that farmers would be better off with no federally administered farm programs, and several others nodded their agreement. It is not difficult to understand this reaction in light of innumerable inequities in farm programs and the many cases in which the interest of agriculture seemed to be ignored in Federal actions.

Overall, however, I had to be impressed in these meetings with the resiliency of South Dakota's farmers in the face of natural and man-made adversity. The tone was not exactly optimistic, but it was surprisingly confident.

Our farmers are a splendid lot. They deserve better treatment than they have received from their Government and their primary customers, the consumers of America. We do not have a "dollar a loaf" bread, nor have we run out of grain. We have the potential to pro-

duce far more meat and dairy products than we can consume, and yet we import large quantities of these commodities at bankruptcy prices.

It should be no secret that food is the biggest bargain going. The American consuming public spends only about 15 percent of its after-tax income on domestically produced and processed farm foods. And the interesting thing of this is that only about 5 percent of the consumers expenditures is for the farm value of these foods.

Now, certainly this could change if America's superproductive family farmers are driven out of business by inflated production costs and inadequate prices for their products. That is a message which had better be well heeded by Uncle Sam and everyone who has to come to adhere to the disturbing notion that "farming is too important to be left to the farmers."

Indeed, farming is too important not to be left to the farmers, and as a general and abiding principle, Federal farm legislation should be directed toward assisting farmers to do what they do best and not toward telling them how to do it. Within this general principle, however, there are a number of things Federal legislation can and should address. And Mr. Chairman, I want to ask that all my testimony be put in the record.*

Senator MCGOVERN. We will see that the whole statement is put in, Congressman.

Mr. ABDNOR. We get into these troubles on the agricultural research, and I think there is no question that needs to be continued. I am not going to go into that.

On the target and loan prices, I would just like to say this along with my complete statement—that South Dakota farmers support the target and loan concept. They would like a guarantee of at least a cost of production, but they are sensitive to the potential for over-production and the need to remain competitive in the world markets. They are also aware of the complexities of arriving at a fair and reasonable figure for cost of production.

But still, it's obvious farmers cannot continue to receive less than the cost of production and remain in business. Now, raising the loan level to cover costs would deal with this problem, but it could also reduce the world demand of our grains and result in the reaccumulation of large government-owned stocks. Raising the target price could result in large payments to producers, but our position in world markets should not be hindered and the Government would not be forced to acquire surpluses. If surpluses do grow, as they appear certain to do, production controls may be required.

In that respect I would like to talk briefly about Senate bill 275, the one that is before you and the Senate by Senator Talmadge. That bill would continue standby authority, as I understand it, for the Secretary to require each program participant to set aside on an annual basis a percentage of his allotted acres if projected production is determined to be excessive and many farmers with whom I have spoken do feel supply and demand conditions warrant the implementation of set-aside acres.

*See p. 177.

On the allotments, this is something I really want to stress, Senator. As I went around the State, among all the issues discussed at my farm meetings there was no single one on which there was more agreement than the fact that the allotment system must be updated. Currently the only purpose served by allotments is in determining eligibility for the amount of disaster payment to producers.

And even so, the inequities in the system are glaring. For example, an established farmer may have a large allotment and receive a large payment in a dry year while a young farmer may have no allotment and receive no payment even though he may need it worse than the established farmer.

And if we move into production controls and if target price payments are required, the inequities in the system will be magnified many times over. So clearly, we must act to correct this problem.

And I was interested, Mr. Chairman, in the last discussion on crop insurance because we have found quite an interest in this. A bleak prospect for crops in the coming year made the Federal crop insurance program very popular in our State several months ago until the FCIC stopped accepting new applicants in order to protect their existing insurees. At my meetings, however, it was evident that this program is not generally held in very high esteem.

Even so, farmers were receptive to the notion of an expanded and improved insurance program in which the Federal Government would pay a portion of the premium. Now, this proposal could result in more adequate coverage for farmers at less expense to the Government than the disaster payment program.

It's doubtful that Congress will ever allow the disaster payment program to afford truly adequate coverage of a farmer's needs in the face of a crop failure. This fact together with the inequities in the allotment system and disaster payment program argue strongly for expanding the premium based crop insurance program.

Perhaps the objections of those who feel some farmers could not afford the premiums could be mitigated by offering the farmer the option of maintaining his eligibility for disaster payments or obtaining a subsidized insurance rate. Hopefully most would opt for insurance, but for those who felt they could not afford the premiums, disaster payments would be preserved; and we find this quite fairly well received in the showing of hands around at our meetings.

I would like to talk a minute about the emergency feed programs. I think the drought has demonstrated that it is not just grain farmers who are hurt by a natural disaster. The economic losses suffered by stockmen have been equally or more severe as many have been forced to sell down their herds at bankruptcy prices due to lack of feed.

The old emergency livestock feed program as well as the emergency feed and hay livestock transportation programs being administered under the authority of the Federal Disaster Assistance Administration have been of some help, but they have become known more for their faults than for their assistance.

Part of the problem with the existing programs is their location in the Department of Housing and Urban Development, and I am

drafting legislation which would place these programs in the Department of Agriculture where they belong. This legislation will also deal with other problems in the existing programs such as eligible livestock, feed on hand, retroactive payments, and others which have been called to my attention.

Just briefly I want to say this on meat imports, Mr. Chairman. It was a very much discussed subject in my travels, and there are a number of flaws in the Meat Import Act of 1964 which I hope to address in legislation in the near future. I will be discussing those with you at a later time, too.

A new program, I think I mentioned this the other day when I was visiting with you, is this wheat grazing proposal that is now in the Senate. I recently appeared before the House Agricultural Committee in support of this measure which I think is in the best interests of cattlemen and wheat grazers alike. The bill, introduced by Congressman Sebelius, would allow wheat to be grazed for livestock feed and the producer would be compensated at the rate of \$1 times his projected yield on the acres grazed. This would, of course, serve a dual purpose in providing needed feed and reducing wheat production.

I am not going to go into deferred grazing other than to say that at my meetings farmers and ranchers constantly said this was a much needed program. The pastures are so beat down from the drought and overpasturing that even rain may not bring these back into being, and they should be rested. Our soil conservation groups are proposing a deferred grazing program, and I think the members of the committee must look at that.

And last, there are two other points I want to touch on. We found that everyone felt that oats should be included in the farm program at the discretion of the Secretary. And the other thing I found is that farmers are exceedingly skeptical of the idea of grain reserves. Now, I know that is quite an issue, but they know what effects such surpluses have had on the markets in the past and they are adamantly opposed to allowing the Government to hold any reserves which might be accumulated. At the same time, there is support for on-the-farm storage if storage payments are made available and if the Government is denied the authority to call up loans on the stored grain.

With that, Mr. Chairman, I just want to say thank you for this opportunity to present my testimony today.

Senator McGOVERN. Thank you very much, Congressman Abdnor, for your testimony. I was interested in hearing you say that farmers generally like the target price and loan level concept, and I think that is true. I found the same thing. One of the problems I see in this Senate bill as it now stands is this. The committee bill provides that there are basically target prices on the cost of production that they figure the cost of land not at what the cost is to the farmer today, but the average price over the last 35 years. Do you think that formula makes sense? Can you really operate a business estimating costs on the average of a 35-year period rather than what the current cost is?

Mr. ABDNOR. No, especially the farmer, who has recently bought land. It's almost impossible to make land principal and interest payments from income received at current farm commodity market prices.

Senator McGOVERN. Do you know Mr. George Andersen from Presho?

Mr. ABDNOR. Yes.

Senator McGOVERN. He testified before the Senate Agriculture Committee in Washington yesterday and came up with a recommendation on figuring in the land factor with the cost of production formula. As I understand it, what he is recommending is that that part of cost of production formula be figured on the basis of one-third of the annual production of the land. It wasn't quite clear to me, but I think sometime when you have a chance to visit with him out in your area it might be worthwhile exploring it with him. He happens to be the head of the Cost of Production Subcommittee of the National Wheat Growers Association and he struck me as a person who might know quite a bit about this whole cost factor.

Mr. ABDNOR. He is a very capable man. He is in Washington now. I will be seeing him, and I will be very interested in what he has to say.

Senator McGOVERN. On this matter of raising the target price or the loan level to the point where we interfere with our export opportunities, I am wondering if you saw the news report this morning that Secretary Bergland is going to sit down with the Canadians to see if the two countries can't negotiate some kind of world export price on wheat. Do you think that is feasible?

Mr. ABDNOR. Well, I assume it would be feasible and it would be good, but I guess the luck we have had in the past hasn't been too good. But Bob is a very capable individual who might be just the person that could do something like that. There are now so many other countries in the export business, such as Argentina, who has become a great exporter, and Australia. They tell me we will have up to 1.7 million bushels of wheat left over this year. It's getting to be a crowded field and a very competitive field. That is why target prices being higher is really better than higher loan prices. At least the Government doesn't get stuck with the wheat. We have to have those grain export sales going to offset the terrible cost of our energy purchases. Agricultural exports are our one big hope of offsetting energy costs so we must not hinder them in any way. So increased target prices seem to offer the best opportunity, even better than a high loan price, to provide some protection to farmers.

Senator McGOVERN. That is a good point. Thank you very much, Congressman Abdnor. We appreciate you taking time to be with us.

Mr. ABDNOR. I thank the Governor. He allowed me to ride along today. I would have had trouble getting here otherwise.

Senator McGOVERN. We want to welcome Governor Kneip as our final witness, and before he makes his statement I want to thank the members of the press who have been here all forenoon and on into the afternoon to cover this hearing, because it is important that this story gets out to the people, and we do appreciate the concern that the press has shown in giving good coverage to this hearing.

Governor, we are happy to welcome you and know of your long-time leadership in guiding this State on agricultural matters. We welcome you to the hearing.

STATEMENT OF HON. RICHARD KNEIP, GOVERNOR, STATE OF
SOUTH DAKOTA, PIERRE, S. DAK.

Governor KNEIP. Thank you very much, George. I think it might be appropriate, while I might not care to have some of these comments made as a matter of record in the sense of the Congressional Record because I do have a statement to offer which will be read, and then, you know me well enough that I don't—it isn't very often I read something, maybe the state of the State or some official message before the legislature but when it comes to conversation with the Congress and President of the United States, it's certainly appropriate. I would like the people in attendance here today to know how comfortable I feel as one Governor coming before you as one particular Senator, and not only in the personal sense of a friendship and an understanding between two people that deal with problems within our State, but more than that. Maybe I should share with you some experiences this morning.

I think I was scheduled to be here somewhat earlier, but I have asked for a very special law before the South Dakota Legislature this morning dealing with Oahe, and the phone was ringing off the hook this morning, so I changed a part of my schedule and that, Senator, you certainly understand, to accommodate meetings with legislatures about legislative action that will take place this afternoon, and it's been an interesting day. It has been an interesting week.

Senator McGOVERN. I think we would be interested in hearing how you are coming along on this Oahe matter. We have had some testimony on it today and you and I have no problem in coming flat out for that project.

Governor KNEIP. Right.

Senator McGOVERN. Some people have difficulty in making up their minds.

Governor KNEIP. I have a little old Senate bill 246, that should be up before both Houses in the legislature today if they allude to my wishes. And it really deals with something that you and I and many others, you know, certainly many others have talked about over the past years that speak to the Oahe project and it—more than that, it does something particularly different that we have not seen in the State of South Dakota, and that is that I for one hope to write into law not only the Oahe project, but the expressed wishes of our people in asking for continued funding. And more than that, I guess I have viewed the pumping station, the initial stages of the canal leading to the Blunt reservoir and the Blunt reservoir itself as a delivery system of water to the eastern part of this State. In recognizing that modifications will come to that project certainly, you know, for some time because of the negative views expressed. Many of these are very legitimate and you and I have wrestled with them for a long time and tried to appease many wishes of those people. And I feel strongly that the Conservancy Sub-District Board should have a strong voice in the elected people, but still there is a statewide interest. In the sense of that statewide interest I want our people to understand why I am pushing hard to write that project into law. And more than that, I meet with President Carter on Monday and with his Cabinet

and later with this new panel that has been set up and chaired by the Secretary of Interior, and then again later with the congressional committees. And you and I must appear in support of that project. There is a lot of maneuvering going on and I only feel—I feel very strongly that the majority of people in the State want a continuation of that project, and the last thing we need is a negative thought expressed before the panel of the congressional committee. And I will continue to work for that project for this State as I see the need.

But the meetings this morning centered around legislative action here in the State of South Dakota, and I think there is something to be said on that. I think there is something to be said in the sense that we in South Dakota are not taking a passive position. We are taking a very aggressive position and that we want to be heard on all of the issues before the Congress of the United States. As one Governor of these United States I have long held the position that we need to do more than just stand back and make observations as a State; but certainly more than that to get involved with the deliberations before the Congress. And I know that you, Senator, have held that same position and that there would be no problem in that sense.

Senator MCGOVERN. Well, Governor I think the function of the leaders is to lead when you have to take a controversial position, and I want to commend you for taking the course you have on the Oahe project. I have great respect for the Oahe Conservancy Board and for the people that were elected. But the fact remains that even they are a creature of the State. That board was created under State authority and the Governor and the legislature at any time have the obligation I think to review these programs, as they have the authority to make changes in the law. So I am very grateful for the leadership we are providing. I hope you will be given the authority that you are asking for and then we will have action that will indicate the people want this project.

Governor KNEIP. George, I think you might, as one person in particular, enjoy hearing this, and sometimes we need to remind our people of this, as a U.S. Senator, as President of the United States, as a legislature, as Governor, while something might be created through Government, the elective process, for example, you and I know that we are all restricted on the actions as we are able to accomplish them through the legislative process, and it is not at all undemocratic to view legislative action, congressional action, whatever, in the sense of restrictions in the sense of that legislation to take hold. I have been asked many times in the course of looking at the conservancy sub-district, a part of the action on Oahe, that since it was created by the government and yet given a certain responsibility it certainly is not unbridged, that we put restrictions on ourselves as elected people. As Governor I too must hold to the law, whatever it might be, and I think that is very natural—very natural action.

But I just want the immediate audience, I guess, to know how strongly I feel about Senator McGovern's leadership as one Senator among those 100 U.S. Senators that you have always held my admiration and I can elaborate on that, but I don't want to take the time today to do that.

Senator McGOVERN. Thank you.

Governor KNEIP. In speaking of our hopes for this important piece of legislation, I will not recite the dreary and discouraging statistics we have gathered on drought impact during the last 8 months because we all know, and we have all seen what weather conditions can do to a vital and dynamic industry such as our agricultural industry.

Rather, I wish to briefly outline the needs of farmers and ranchers as they have become apparent to me as Governor in my travels to and daily contact with agricultural communities, farmers and ranchers, and agricultural leaders.

The first need I wish to mention is for grassroots input in forming our national agricultural and food policy of which the 1977 farm bill is an important part. This hearing is a very positive step in that direction, and I wish to commend you, Senator McGovern, and all others who have taken part in arranging it. It is obvious, however, that this important hearing is but an initial step and not a final solution to the problem of encouraging such input.

I ask that your committee work closely with our State department of agriculture and others like it across the Nation in formulating the philosophy and policy which will be built into the 1977 farm bill. Likewise I ask for the committee's support in urging that the U.S. Department of Agriculture, while implementing these programs, tact the tremendous local and State expertise so invaluable in dealing with problems on the national level. We need a national leadership which is not only responsive to the needs of both agriculture and consumers, but also one which efficiently delegates the responsibility of fulfilling those needs.

The ultimate responsibility for stabilizing what is perhaps the most important industry on Earth, agriculture, falls upon each of us, and none of us, while working in isolation from others, can effect the policies which will keep farmers and ranchers in business.

There are specific needs. Drought-affected farmers and ranchers need help to weather the remainder of the drought. They need help to recover when the brunt of the drought has passed and they need disaster aid mechanisms developed to remain ready for use in future agricultural calamities.

The need for viable crop insurance and disaster payments is especially visible to us this year, and it must be said that our present system is both inadequate and improperly administered. The advantage of an insurance program at the Federal level is obviously to average out losses of crops across the Nation with premiums at realistic and reasonable levels. But this certainly has not been the case in the last half year. Farmers and ranchers not only deserve to have all crops covered, and in all geographic areas, but they also deserve to become eligible for payments without having a near total loss. The high cost of production in times like these underscores this need dramatically. Further, some attention has to be given to possible subsidizing Federal crop insurance corporation premiums, particularly when an agricultural area has suffered from prolonged economic stress. Finally, we need a disaster program that is adequate, immediately responsive to farmer's problems and sensitive to local conditions.

Another need is to raise both loan and target prices. Furthermore, a provision for their rapid adjustment seems advisable in light of production costs which climb almost daily. And finally, agriculture needs target prices which accurately reflect true cost of production and a loan price high enough to be used to the producer's needs.

From my observations there also appears to be a clear need, for many reasons including price stability and consumer protection, that a way be found to build a reasonable grain reserve level, and then to isolate it from the market to assure that it will never be used to penalize agriculture as we have seen in the past. While a strategic grain reserve is a controversial device, I am convinced it would be a stabilizing influence on the economy of the grain producing industry if handled correctly and administered with the sense of fairplay to the farmer.

Another need stems from the fact that the conservation, management and restoration of land traditionally has not been a key consideration in the annual farm bill which usually centers on matters of production. And yet, although we realize that majority of all new wealth in this Nation is derived from the land, we tend to continue ignoring its condition as a factor in producing that wealth. For example, South Dakota now has a critical need for rehabilitating its pasturage which, already weakened by lack of rainfall and subsoil moisture, was grazed to its very roots due to short forage supply and hay production. It is not a profound idea that such land can only be restored through proper management, rest, and in some cases reseed-ing. The problem is, however, that with the cost of interest, taxes, and initial purchase, most farmers and ranchers find it financially impossible to do the obviously sensible thing. Because the land is a national resource valuable to all citizens, both urban and rural, I believe the logical approach is for the Federal Government to assist the farmer in restoring it; otherwise I am certain such lands will continue to deteriorate in their ability to produce and sustain livestock. The drought has so vividly demonstrated to us that which we have forgotten since the days of the Dust Bowl; that both our soils and water supply need our unending vigilance. The continued funding and maintainance of programs such as the Great Plains conservation effort are just one of the ways to address these needs.

Farming today deals with continually increasing cash flow and consequently credit requirements are greater than ever. In the past the Farm bill has not dealt with this issue directly, but I recommend that a concerted effort be made, whether within the context of the Farm bill or not, to see that additional credit needs are met, especially in assuring that younger farmers are enabled to remain in the industry. Farmers Home Administration must be adequately funded to meet the needs of people in agriculture who cannot obtain financing elsewhere. FHA eligibility requirements and repayment schedules also must be updated to meet current conditions.

Farmers and ranchers who have suffered through 3 consecutive years of economic stress, as many have in our State, are hardpressed for credit. And many, even those who neighbors felt were so finan-

cially secure that they could weather almost any calamity, are among those giving up their way of life and selling out simply for lack of credit.

While we recognize the limitations upon our own banking industry and upon other financial institutions, we also know that the loss of agricultural talent and expertise from the land is a national loss. Making credit available to a deserving people at reasonable rates and terms, I can assure you, is not an act of charity; instead, it is an act in the national interest for we cannot survive as a nation without competent and experienced people in operating the farms and ranchers upon which we all depend.

Finally, this Nation has sometimes allowed the financial stability of the American farmer to be used as a tool of international diplomacy, and now he finds himself with a diminished foreign market and a national surplus of many commodities. Our balance of payments as a Nation in international trade have done a severe turnaround, and furthermore our own farmers receive shamefully ineffective protection from cheap imports in many instances.

In conclusion, I would only ask that we somehow strengthen this 1977 farm bill to the very best that we can as I know you embrace for the American agricultural sector.

Senator McGOVERN. Well, Dick, I think that is a superior concluding statement. I want to add my personal thanks to you for coming here today. I know this has been an enormously hectic day for you. I just want to say that a great many of the people who are here and waited to hear your statement have been here since 10 o'clock this morning, so we have had a busy time too. And it's a tribute to you and the other witnesses that our audience has stayed with us. But we do take these hearings seriously. There is no substitute for Senators and Congressmen coming home and hearing directly from people in their own State. And I just want to thank you as the Governor of the State for interrupting your schedule to be with us. Your statement is very helpful.

Now, let me say to all you patient people this marks the end of our hearing today. Thank you for being with us.

[Whereupon, at 12:55 p.m. the hearing adjourned, subject to call of the Chair.]

ADDITIONAL STATEMENTS AND LETTERS

STATEMENT OF HON. JAMES ABDNOR, REPRESENTATIVE IN CONGRESS FROM
THE 2D CONGRESSIONAL DISTRICT OF SOUTH DAKOTA

Chairman McGovern, I want to commend you and I know the farmers of South Dakota thank you for bringing Washington to our state so that we might make our voice heard in the deliberations on the 1977 general farm bill which is so vital to us.

I have recently completed a whirlwind week and a half tour of my district during which I conducted 3 two hour give and take discussions each day. These meetings were aimed primarily at farmers, and our interchange ranged from the general farm bill to disaster programs, water resource development, and whatever else was on their minds. My travels encompassed over 2000 miles and I visited with about one farmer per mile. My testimony is based on what they told me.

GENERAL PHILOSOPHY

Even though much of South Dakota has been gripped by the worst drought on record, the prevailing attitude seemed to be characterized by the comment made by one farmer who said with assurance, "The biggest disaster is in Washington." Clearly, South Dakota farmers are wary of governmental programs which purport to do one thing but often do something very different.

In fairness, it must be pointed out that some farmers—chiefly those with more seniority, as we say in Congress—feel domestic and world agricultural factors required a return to a more restrictive farm program with higher price supports. Invariably, however, a show of hands at each meeting demonstrated that the large majority favor the freedom to produce for the market as provided by the farm program of recent years.

One farmer went so far as to suggest that farmers would be better off with no federally administered farm programs, and several others nodded their agreement. It is not difficult to understand this reaction in light of the numerous inequities in farm programs and the many cases in which the interests of agriculture seem to be ignored in federal actions.

Overall, however, I had to be impressed in these meetings with the resiliency of South Dakota's farmers in the face of natural and man-made adversity. The tone was not exactly optimistic but it was surprisingly confident.

Our farmers are a splendid lot. They deserve better treatment than they have received from their government and their primary customers, the consumers of America. We do not have "Dollar a Loaf" bread, nor have we run out of grain. We have the potential to produce far more meat and dairy products than we can consume and yet we import large quantities of these commodities at bankruptcy prices.

Only in recent years has the average net income of farmers neared that of other workers. Highly inflated production expenses threaten to once again lower net farm income and relegate farmers to the status of second class citizens. There can be no doubt that the biggest threat to farmers is the increase in their expenses—inflation—which they, unlike other businessmen and laborers, cannot pass on to their customers.

It should be no secret that food is the biggest bargain going! The American consuming public spends only about 15% of its after tax income on domestically produced and processed farm foods. Only about 5% of consumers' expenditures are for the farm value of these foods.

Certainly, though, this could change if America's super productive family farmers are driven out of business by inflated production costs and inadequate prices for their products. That is a message which had better be well-heeded

by Uncle Sam and everyone who has come to adhere to the disturbing notion that "Farming is too important to be left to farmers."

Indeed, farming is too important *NOT* to be left to farmers; and, as a general and abiding principle, federal farm legislation should be directed toward assisting farmers to do what they do best and not toward telling them how to do it. Within this general principle, however, there are a number of things federal legislation can and should address.

AGRICULTURAL RESEARCH

First and perhaps least controversial, it is entirely appropriate for the Federal government to support and foster research to improve the efficiency of our agricultural production, processing, transportation and marketing systems. As far as consumer prices are concerned it appears that the most room for improvement is to be found once the product leaves the farm gate, but there remain improvements to be made on the farm as well.

Efforts to improve farm production efficiency might well be directed toward discovering ways to lower the costs of inputs, particularly energy, and to increase conservation practices. Farmers have come a long way in learning to deal with the varies of mother nature but we've still a long way to go as the drought amply attests.

Target and loan levels

Mother Nature has always been a problem with which farmers have had to deal. As production costs have risen, however, and as we have moved to a more market-oriented agriculture, fluctuations in farm prices have come to rival Mother Nature in importance to farmers.

The Agriculture and Consumer Protection Act of 1973 originated the concept of "target prices" which would be supported by the Secretary of Agriculture if market prices should fall too low. The Act also preserved the loan program to permit farmers to hold onto their grain until such time as the market might improve.

South Dakota farmers support the target and loan concepts. They would like a guarantee of at least cost of production, but they are sensitive to the potential for overproduction and the need to remain competitive in world markets. They are also aware of the complexities of arriving at a fair and reasonable figure for cost of production.

Still, it is obvious farmers cannot continue to receive less than the cost of production and remain in business. Raising the loan level to cover costs would deal with this problem, but it could also reduce the world demand for our grains and result in the re-accumulation of large government owned stocks. Raising the target price could result in large payments to producers, but our position in world markets should not be hindered and the government would not be forced to acquire surpluses. If surpluses do grow as they appear certain to do, production controls may be required.

Set-aside

Current law provides and S. 275 would continue standby authority for the Secretary to require each program participant to "set-aside" on an annual basis a percentage of his allotted acres if projected production is determined to be excessive. Many farmers with whom I have spoken feel supply and demand conditions merit the implementation of set-aside acres. Some would like to see establishment of a program combining aspects of the set-aside and soil bank programs under which each farmer would receive payments to set-aside a small portion of his farmland. Under this proposal, the set-aside would be for more than one year (three years was suggested). Each farm would receive a fair share of the set-aside and no one would be permitted to place his whole farm under the program.

Allotments

Among all the issues discussed at my farm meetings there was no single one on which there was more agreement than the fact that the allotment system must be updated. Currently, the only purpose served by allotments is in determining eligibility for and amount of disaster payments to producers.

Even so, the inequities in the system are glaring. For example, an established farmer may have a large allotment and receive a large payment in a dry year, while a young farmer may have no allotment and receive no payment even though he may need it worse than the established farmer.

If we move into production controls and if target price payments are required, the inequities in the system will be magnified many times over. Clearly, we must act to correct this problem.

Last year I co-sponsored legislation to provide that disaster payments cover all "planted" acres, rather than just "allotment" acres. That proposal would be of some benefit, but I believe a more fundamental overhaul of the allotment system is indicated. In this regard, actual planted acres for the previous year or an average of the preceding 3 to 5 years would appear a far superior means to allocate acres among producers than the current outmoded history.

Crop insurance

Bleak prospects for crops in the coming year made the Federal Crop Insurance program very popular in our state several months ago until FCIC stopped accepting new applicants in order to protect their existing insurees. At my meetings, however, it was evident that this program is not generally held in very high esteem.

Even so, farmers were receptive to the notion of an expanded and improved insurance program in which the Federal government would pay a portion of the premium. This proposal could result in more adequate coverage for farmers at less expense to the government than the disaster payment program.

It is doubtful that Congress will ever allow the disaster payment program to afford truly adequate coverage of a farmer's need in the face of a crop failure. This fact together with the inequities in the allotment system and disaster payment program, argues strongly for expanding the premium based crop insurance program.

Perhaps the objections of those who feel some farmers could not afford the premiums could be mitigated by offering the farmer the option of maintaining his eligibility for disaster payments or obtaining a subsidized insurance rate. Hopefully, most would opt for insurance but for those who felt they could not afford the premiums disaster payments would be preserved.

An improved Federal crop insurance program will attract more farmers and lessen the risks they face. The local ASCS committees as well as private insurance agents should be involved in everyway possible to increase participation.

Emergency feed

The drought has demonstrated that it is not just grain farmers who are hurt by a natural disaster. The economic losses suffered by stockmen have been equally or more severe as many have been forced to sell-down their herds at bankruptcy prices due to lack of feed.

The old Emergency Livestock Feed Program as well as the Emergency Feed and Hay Livestock Transportation programs being administered under the authority of the Federal Disaster Assistance Administration have been of some help, but they have become known more for their faults than for their assistance.

Part of the problem with the existing programs is their location in the Department of Housing and Urban Development (FDAA-HUD). I am drafting legislation which would place these programs in the Department of Agriculture where they belong. This legislation will also deal with other problems in the existing programs, such as eligible livestock, feed on hand, retroactive payments, and others which have been called to my attention.

Meat imports

I will not dwell on meat imports since they are not within the purview of this hearing. No discussion of the problems of the livestock industry can be had without considering this factor, however. Time and time again this issue was raised in my travels around the state.

There are a number of flaws in the Meat Import Act of 1964 which I hope to address in legislation in the near future. The Committee's support would be appreciated.

Wheat grazing

I recently appeared before the House Agriculture Committee in support of another measure which would be in the best interests of cattlemen and wheat growers alike. The bill, introduced by Congressman Sebelius, would allow wheat to be grazed for livestock feed and the producer would be compensated at the rate of \$1 times his projected yield on the acres grazed. This would, of course, serve a dual purpose in providing needed feed and reducing wheat production.

Deferred grazing

Another proposal which must be considered as a possible means of assisting stockmen with the rejuvenation of their drought stricken rangeland is a deferred grazing program. Many pastures will require several years to return to normal, and in the meantime some ranchers will not be financially able to stay in business.

Compensation to ranchers to defer grazing was suggested numerous times in my travels around the state. Such a program would serve the dual purpose of assisting stockmen and fostering conservation of rangeland.

Oats

Mr. Chairman, I could go on at great lengths, but I have already taken too much time. Two other issues must be mentioned, though, because I found them very much on the minds of my constituents. The first is that oats should be included in the farm program at the discretion of the Secretary.

Grain reserves

Secondly and finally, South Dakota farmers are exceedingly skeptical of the idea of grain reserves. They know what effect such surpluses have had on the markets in the past, and they are adamantly opposed to allowing the government to hold any reserves which might be accumulated. At the same time, there is support for on the farm storage if storage payments are made available and if the government is denied the authority to call up loans on the stored grain.

Thank you, Mr. Chairman, for the opportunity to address the Committee. I look forward to your action, as well as to that on the House side, to ensure that the interests of farmers and the nation are served in the farm program for the years to come.

STATEMENT OF HON. LARRY PRESSLER, REPRESENTATIVE IN CONGRESS
FROM THE 1ST CONGRESSIONAL DISTRICT OF SOUTH DAKOTA

Mr. Chairman, I want to thank you for the opportunity to submit a prepared statement on the needed changes in the new farm bill which will be enacted in 1977.

The recommendations I will make here today are the result of dozens of public "listening" meetings that I have held with many farmers throughout South Dakota in recent months. My recommendations today fall into two areas, standard provisions to be included in the new Agriculture Bill and new provisions to deal with agricultural emergencies such as the drought.

1. The development of a sound agricultural import-export policy that would achieve the following:

A. An export policy that would allow American farmers to develop foreign markets for their commodities to the fullest extent. This would include the mandatory provision that the Secretary of Agriculture be personally involved in all negotiations on the foreign sale of agricultural products.

B. The expansion of the P.L. 480 program in order to increase American exports.

C. The establishment of a uniform procedure in order to subject foreign and American dairy, beef, and honey products to the same standards of inspection and quality. This would be done in order to protect both the American farmers and American consumer.

D. Placing strict import limitation on all imported dairy, beef, and honey products that are subsidized by foreign countries.

2. The revision of federal crop insurance.

3. The continuation of target prices for agricultural commodities at the level recommended by the Secretary of Agriculture.

4. The raising of dairy price supports to 85% to 90% of parity, with quarterly adjustments that will reflect market changes.

5. As updating of the crop allotment system that will reflect the current real production picture by individual producers.

6. A revision of loan levels on all commodities in order to reflect the increase in operating costs.

7. In order to meet the needs of drought stricken areas, the Committee on Agriculture in both the House and the Senate should act favorably upon and recommend to Congress the passage of the proposed FY 78 Congressional

Rural Caucus budget. This proposed budget represents a 16.9 billion dollar shot in the arm to rural America.

8. The revision of all agricultural emergency programs to include administration by the Secretary of Agriculture.

The proposed budget breaks down as follows :

Proposed fiscal year 1978 congressional rural caucus budget

HOUSING PROGRAM GRANTS—HOUSING ACT OF 1949

	<i>In millions</i>
Farm labor housing grants (516)-----	\$25
Housing repair grants (504)-----	20
Mutual and self help housing site grants and technical assistance (523)---	10
Housing research grants (506)-----	10
Rent supplements (521)-----	15
Technical assistance grants (525)-----	5
Total housing program grants-----	85

COMMUNITY PROGRAM GRANTS

Water and waste disposal planning grants (306)-----	30
Water and waste disposal development grants (306)-----	300
Rural community fire protection grants (title IV RDA)-----	7
Rural development planning grants (306)-----	10
Pollution abatement project grants (310b)-----	50
Total community program grants-----	397

FARMER PROGRAM LOAN AUTHORIZATION LEVELS

Emergency loans (321) (can be increased as required)-----	200
Farm ownership loans (303)-----	1, 000
Operating loans (311)-----	1, 000
Soil and water loans (304)-----	60
Grazing loans (306)-----	10
SCS loans (P.L. 83-566, Sec. 8) (P.L. 87-703, Sec. 102)-----	30
Indian tribal land acquisition loans (306)-----	11
Recreation loans (304)-----	5
Total farmer program loans-----	2, 316

HOUSING PROGRAM LOAN AUTHORIZATION LEVELS—HOUSING ACT OF 1949

Low income housing loans (502)-----	3, 000
Moderate income housing loans (502)-----	2, 000
Above moderate income housing loans (502) (Guaranteed)-----	500
Rental housing loans (515)-----	1, 000
Farm labor housing loans (514)-----	25
Housing repair loans and other (504)-----	20
Mutual and self help housing site loans and technical assistance (525)---	10
Site loans (524)-----	5
Mobile park loans (527)-----	2
Predevelopment loans (525b)-----	3
Total housing program loans-----	6, 565

COMMUNITY PROGRAM LOAN AUTHORIZATION LEVELS

Water and waste disposal loans (306)-----	3, 000
Community facility loans (306)-----	1, 000
Total community program loans-----	4, 000
Total rural business and industrial program loans-----	3, 000

Mr. Chairman, again thank you for giving me the opportunity to submit this prepared statement.

STATEMENT OF RODNEY HALL, FULTON, S. DAK.

Sen. McGovern and other Distinguished Members: I am happy to appear before your committee today and sincerely hope that I may add some items that will be useful in your deliberations. It may be a bit unusual but rather than for you to think of me as a grain and hog farmer I would rather have you think of me as a consumer of "disaster services".

So much good has come from the various programs over the past years that it seems almost treasonable to offer criticism. Yet faults if not corrected have often resulted in destruction of programs. Being very appreciative of the positive points in the disaster programs I would proceed to limitations:

1. It takes too long to get help to those that need it. Not only have procedures not been planned in advance there have been so many conflicting interpretations that to be safe administrators have had to delay action.

2. Coordination of program benefits in FmH loans have made application procedures stop and wait for other benefits to become known.

3. Stopping FCIC seemed to indicate that the old program was being run to make money when it appeared that more willing takers might cost too much.

4. Individuals have been able to stop disaster declarations because they wanted the small operator out and wanted less competition.

5. Local county committees while able to perform most if not all of local policy decisions find it almost as impossible to play God in the determination of which neighbor or friend gets help and which one doesn't, as our Congress found it difficult to vote on its pay increase.

6. Elimination of the storage of grain on the farm by the producer-operator has not only greatly increased the per bu. administrative cost but has removed it from the local area where it is needed. In this unnecessary shipping much energy is wasted and the cost to the producer has increased as much as \$1.00 per bu. for corn in our area.

7. The words "SOIL BANK" are distasteful because other than being a selective rip-off there were not deposits of either crops or water that were available in time of need. It was an expense not a saving.

8. Removal of financial eligibility has made 95% of applicants in Hanson County ineligible and has made large cattle feeders the main recipient of financial help. A more valid need could be measured by the excess of interest paid over the amount of interest received. Help on these interest payments would get farmers out not into debt.

9. Investment credit should be applied to existing Federal Loans. It may be that millions of low income farmers never get this credit.

10. Intermediate and long term credit should be available at reasonable interest rates of 4% or 5% reduced to 1% in any disaster year.

ITEM NO. 1.—LIVESTOCK FEED AND EMERGENCY FEED PROGRAM

After a record dry July and August the State ASCS office mailed to Sen. Rodney Hall a letter or folder about the oats program and I went to the Alexandria ASCS Office where I was told that there was no oats. About a week later I got another message in the mail to my Senate address about this oats program. I went to the office and not stopping with a little discouragement from the person in the office I said that if there was a program for any farmer in Hanson County let's get it going and if I do not qualify that is OK with me. Then with extremely quick action on the part of the ASCS office and the local committee I was approved for 15,175 bu. of oats @ 53¢. It took only 12 days for all local approval.

It took 9 days to get an order to get the first oats at Huron, SD. When getting the first load the Huron ASCS office told me that they had been told to ship their oats to an Indian Reservation so if I had any more coming to get it right away.

Nov. 10th I was advised by ASCS letter that the price was up to 65¢ (still very favorable). About Nov. 11th I was spot checked and every animal on the farm was counted individually. They found 1 more than I had on the application. I asked if there had been 1 less if I would be on the way to Federal Prison?

On Nov. 12th I was notified by ASCS letter that the Livestock Feed Program was terminated.

Jan. 11th I was told by ASCS letter that I was approved for 3193 bu. of corn. I was to purchase this feed and bring the signed receipt for my reimbursement of \$1.12 per bu. I purchased the allotted 1830 bu. for \$4759.40 and took the slip to the ASCS office. I was told that it would take a week or two to get my check. I used the money that I had in the bank for my farm payment which is for \$4581.25 and is due next Tuesday Mar. 1, 1977.

Instead of getting the reimbursement for \$2049.60 I got a letter from the ASCS office in which they said the County Committees were asked to take a good look at these individual applications.

I was the first for the oats program and promises were not kept.

I was the first for the corn program and promises were not kept.

Mrs. Dorothy Campbell, County Executive Director asked if it was legal for her office to retract orders they made in good faith? She has not been given a satisfactory answer from the State Office.

Finally why on earth did the State ASCS office send that Livestock Feed (oats) information to state legislators? If the plan was to discredit the program it worked well!

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
Alexandria, S.D., October 4, 1976.

RODNEY HALL,
Fulton, S.D.

DEAR RODNEY: At a committee meeting today, your application for oats for livestock feed was approved. I am making a request for the oats which will be ordered for delivery to the Fulton elevator. As soon as the oats has been delivered, we will issue an order to you for the amount you will want to purchase at this time—not to exceed a thirty day supply. We will expect payment of this oats by certified check or bank draft in the amount that the office will compute for you. This will be prior to the delivery of the oats. The oats is figured at the 1976 county loan rate of 53¢ per bushel, but we have to compute it at a rate per pound. The oats must be fed by the end of the thirty day period, before another thirty day supply can be purchased.

Enclosed herewith is your copy of the approved application. We will notify you further as soon as the oats is available.

Very truly yours,

DOROTHY M. CAMPBELL,
Hanson County ASCS Office.

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
Alexandria, S.D., November 12, 1976.

RODNEY HALL,
Fulton, S.D.

DEAR RODNEY: In the mail today we received notice that the Livestock Feed Program is terminated. Inasmuch as all of the Commodity Credit owned oats is now obligated, the program is being phased out. In Hanson County we will receive 7500 bushels of oats and we are allocating it to producers on their first thirty day supply only. The 7500 bushels will then be exhausted. You were the only producer in Hanson County who received a second order for a second thirty day supply, but you went at your own expense to Huron to get the oats.

Thank you for your complete co-operation in this matter.

Very truly yours,

DOROTHY M. CAMPBELL,
Hanson County ASCS Office.

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
Alexandria, S.D., January 11, 1977.

RODNEY HALL,
Fulton, S.D.

DEAR PRODUCER: Your application for assistance under the Emergency Feed Program has been approved.

Assistance will be limited to 50 percent of the cost not to exceed two cents per pound up to a maximum of 178,823 pounds of feed grain equivalent. This covers the period beginning 1-10-77 through 6-15-77.

It is your responsibility to acquire and purchase the type of feed (grain, roughage, mixed feed, etc.) which best suits your livestock operation. In order to receive reimbursement under the program it will be necessary for you to present a receipt signed by the seller indicating the date, amount, kind, and price of feed purchased. This kind and type of feed must be specific (e.g. alfalfa, corn silage) since this information is needed to determine the feed grain equivalent.

It is suggested that you contact this office for information concerning conversion factors that will be used to determine feed grain equivalents and for any other information you may desire.

We also want to remind you that any individual who fraudulently or willfully misstates any fact in connection with a request for assistance under this program shall be subject to a fine of not more than \$10,000 or imprisoned for not more than one year or both for each violation; or, any individual who knowingly violates any order or regulation under this program shall be subject to a civil penalty of not more than \$5,000 for each violation; or, whoever knowingly misapplies the proceeds of the benefit obtained under this program shall be subject to a fine in an amount equal to one and one-half times the benefit.

NOTE.—The above approval is limited to a 90-day supply at any one time. 102,510 lbs.

Very truly yours,

DOROTHY M. CAMPBELL,
County Executive Director,
Hanson County ASCS Office.

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
Alexandria, S.D., February 16, 1977.

RODNEY HALL,
Fulton, S.D.

DEAR SIR: At a meeting held in Chamberlain on Thursday, February 10th the State representatives discussed the matter of feeder pigs over six months old being retained on an application for assistance under the Emergency Feed Program. They requested that the county committees take a good look at these individual applications. This was discussed with the committee at their meeting held on Tuesday, February 15th. Inasmuch as your application is the only one in Hanson County with feeder pigs over six months included thereon, that it is an unusual practice and do not feel that it should be an exception to the hog operations in Hanson County.

If you do not agree with this determination, the committee is scheduled to meet again on Tuesday, February 22nd in the morning only. If we hear nothing further from you, we will make the downward adjustment on your application and notify you again.

Very truly yours,

DOROTHY M. CAMPBELL,
County Executive Director,
Hanson County ASCS Office.

ITEM NO. 2.—STOPPING PROGRAMS

1974 was a very dry year after a short crop in 1973. Then in Jan. 1975 a severe storm hit. All things together was tragic.

It came to my attention that Hanson County had been left out of the list of disaster counties. I ask Gov. Kneip to include it which he did on Jan. 27, 1975. On Mar. 6, 1975 this request was denied and we continued to work for the designation which was made sometime during the summer.

It was during this time when the Chrm. of the Hanson County Commissioners told me that he did not want this Federal help because it made too much competition. To me he seems rather affluent with a large farm of his own and his two children both grown, married and very successful in their own right. In fact he made his point very clear in somewhat profane verbiage on several occasions. One time was when I was an unsuccessful bidder on a nearby farm and I bid more than he thought the land was worth and another time when his cattle broke a fence and were all over my brother's corn field.

As long as Hanson County was declared and emergency loans were available I never realized that the present 1975 designation was being asked for by the neighboring counties and once again this Chrm. of the Hanson County Commissioners had neglected to include his county.

In Oct. 1976 Dan Garry, Admin. Asst. to Gov. Kneip told me that still once again Hanson County had been left out of the list because of this same man. They had made several followup calls from the Governor's Office but this was the way they wanted it. Again Hanson County was left out.

People in the County were becoming a bit angry and so a later meeting was called and I understand that the request was made.

So it seems that during the last four years one man has been able to stop the designations and prevent help. Why? Perhaps just to get rid of the "little guys".

If that was not enough when I hauled the oats from Huron last fall, I went by his home and it seems that he saw it. Not being eligible he was less than happy. Somehow the oats that was to be delivered to Fulton got "Protested" because of weed seeds. I believe that this same man is on the Board of Directors of that elevator.

JANUARY 27, 1975.

HON. EARL BUTZ,
*Secretary of Agriculture,
Department of Agriculture Building,
Washington, D.C.*

DEAR MR. SECRETARY: This letter is sent to you as an addendum to my letter of January 22, 1975, wherein I requested that twenty-two counties in the State of South Dakota be designated as "Disaster Areas".

Information has been brought to my attention that would indicate that Hanson County is also eligible for disaster assistance. As Governor, I have, therefore, formally given Hanson County a disaster designation and I am hopeful that you will concur with my findings.

If additional information concerning this matter is necessary, I am hopeful that you will communicate your request to me.

Sincerely,

RICHARD F. KNEIP,
Governor.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., March 6, 1976.

HON. RICHARD F. KNEIP,
*Governor of South Dakota,
Pierre, S.D.*

DEAR GOVERNOR KNEIP: This is in further reply to your letters of January 22 and 27, 1975, concerning the designation of the following South Dakota Counties as disaster areas because of the blizzard with high winds and cold temperatures January 11, 1975:

Clay	Roberts
Grant	Spink
Hanson	Turner
Lincoln	Union
Minnehaha	

Our reply has been delayed in order to obtain additional information regarding the need for Emergency loan assistance in these counties.

Based on the additional information available and after careful consideration, it does not appear that there is sufficient general need for agricultural credit in these counties as a result of the blizzard to justify a Secretarial disaster designation. Our State Director, Mr. Archie Gubbrud, Christen and Hohn Building, 239 Wisconsin Avenue, S.W., Post Office Box 821, Huron, South Dakota 57350, telephone 605-352-8651, and other Farmers Home Administration officials will continue to examine the need for Emergency credit in these counties. If a need is indicated, Mr. Gubbrud will submit additional information to justify the recommendation for designating these nine South Dakota Counties named above as disaster areas.

Sincerely,

JAMES E. BOSTIC, JR.,
Acting Assistant Secretary for Rural Development.

STATE OF SOUTH DAKOTA,
EXECUTIVE OFFICE,
Pierre, S. Dak., October 22, 1976.

HON. GERALD R. FORD,
President of the United States,
The White House,
Washington, D.C.

Through:

DONALD G. EDDY, Region 8 Director,
Federal Disaster Assistance Administration,
Department of Housing & Urban Development,
Denver, Colo.

DEAR MR. PRESIDENT: A continuing drought which has hit parts of South Dakota for three consecutive years is adversely affecting State Government and its political subdivisions, schools, businesses, and industry, notably agriculture. The federal assistance you have made available under your Emergency Declaration, FDAA-3015-EM, has been of limited benefit. An adequate response to the continuing drought is beyond the capability of the State and its political subdivisions. For this reason, I respectfully request that, under the provisions of the Disaster Relief Act of 1974, Public Law 93-288, you declare a major disaster to exist in South Dakota and its political subdivisions within the Counties of:

Aurora	Edmunds	Marshall
Beadle	Faulk	Meade
Bennett	Grant	Mellette
Bon Homme	Haakon	Miner
Brookings	Hamlin	Minnehaha
Brown	Hand	Potter
Brule	Hughes	Roberts
Buffalo	Hutchinson	Sanborn
Charles Mix	Hyde	Shannon
Clark	Jackson	Spink
Clay	Jerauld	Stanley
Codington	Jones	Sully
Corson	Kingsbury	Todd
Davison	Lake	Tripp
Day	Lincoln	Turner
Deuel	Lyman	Union
Dewey	McCook	Washabaugh
Douglas	McPherson	Ziebach

(and all Indian Reservations)

I recognize that the disastrous effects of this drought in South Dakota are not as readily identifiable as more catastrophic disasters, however, the impact on individuals may be every bit as great. A major disaster declaration would make additional federal assistance programs available to aid in our disaster recovery program. Initial areas of assistance requested at this time are:

1. Economic recovery aid through Title VIII of PL 93-288, including federal-state councils assisting in planning and coordinating recovery efforts.
2. Federal loans to the State, its political subdivisions and tribal governments suffering revenue loss.
3. Federal funds for potable water system improvements.
4. Maximum federal financial aid and additional technical assistance to minimize drought induced effects of wind and water erosion to soil resources.
5. Authorization and/or additional funding of Soil Conservation Service's Resource, Conservation and Development Programs.
6. Additional federal funding to serve those unemployed because of the drought through such programs as the Comprehensive Employment and Manpower Training Act.

It is not possible to assign a definite dollar value to the actions which State and local governments have taken to cope with drought related problems. Identifiable expenditures, such as the cost to the State in gathering and disseminating hay availability listings and actions by local governments in hauling water and seeking new sources of water constitute but an insignificant portion of the "effort" that State and local governments have made.

A drought brings with it a multitude of problems. The principal response available to State and local governments is through the delivery of normal services. There may indeed be greater demands for these normal services, but it is impossible to definitely separate those that would have normally asked for these services from those that seek these services as a consequence of the drought. As the list of specific items requested indicates, we do not seek reimbursement for the "normal" services but our purpose is to obtain additional assistance to meet those problem areas particularly impacted as a result of the drought. We primarily seek an expansion of existing federal programs and estimate that total additional federal commitment sought would not exceed \$35,000,000.00.

Special State and local efforts in coping with this disaster are limited but are identified on an attachment, along with additional documentation on each area of assistance requested. I do not request assistance under Section 408 of PL 93-288. Those sections of the State Emergency Operations Plan applicable to State operations during a drought were implemented under my direction.

The effects of the drought, such as declining water supplies and loss of income, make the existing situation in South Dakota a major disaster and I urge your prompt action on this request.

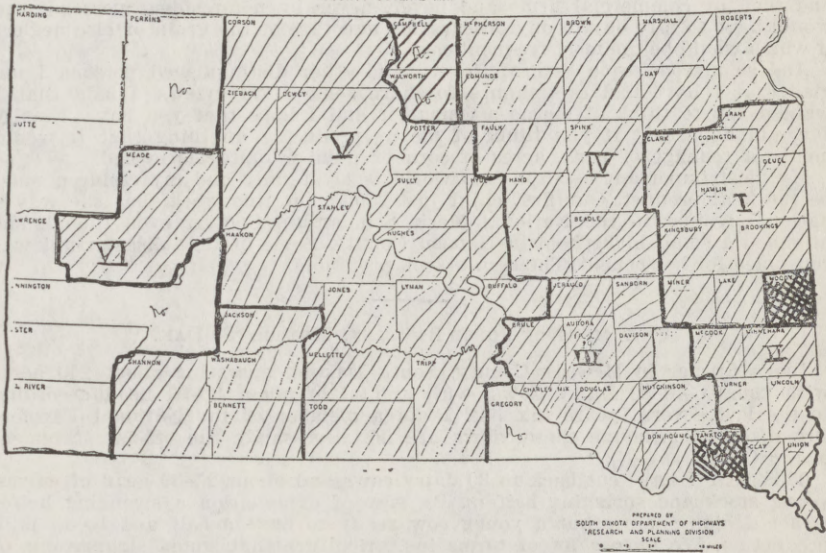
Sincerely,

RICHARD F. KNEIP,
Governor.

Attachments.

SOUTH DAKOTA

COUNTY OUTLINE MAP



ITEM NO. 3.—FINANCIAL ELIGIBILITY

This is a most difficult thing to assess. Removing the limitation has made it too broad in our county and has brought into the program several large well to do cattle feeders and at the same time dropped out many others about 95% of all applicants including all hog farmers.

A real measure of wealth if this should be used in distribution of disaster aid could be the amount of interest paid. Two farms alike in all respects except that one is paid for and the other not would allow some help for that person with the additional need.

A subsidy to pay interest (business substantiated by mortgage) would be a welcome relief to the farmers and to the local bank.

Most important it would help get people out of debt rather than deeper into debt.

ITEM NO. 4.—INVESTMENT CREDIT

This is a useful means to encourage investment but is most awfully discriminatory because it applies only to the people who have an income tax to pay. Why could not this credit be used if not to reduce income tax liability for the present and immediate past three years be applied to reduce principal and subsequently interest on federal loans that the small low income farmer might have.

Once again we would be helping get the farmer out of debt instead of driving him further into debt.

ITEM NO. 5—COORDINATION OF BENEFITS

This is a perfectly valid position. If a loss is reduced by a public benefit the need should be also reduced. Then on the other hand when a person pays to the government more than he receives from the government why should his need not be increased by that amount?

ITEM NO. 6.—EVER NORMAL GRANARY

With energy short let us never haul grain away from a dry area just to haul it back at a much, much higher price. A reasonable supply determined in part by the frequency of past disasters should be determined for each county. Then this should be stored and cared for by first: resident producer-operators and then by commercial firms and never, never by non-resident persons who would have to hire day to day observation and care of the grain or else neglect it which would be the most frequent case.

And so in conclusion Sen. McGovern and other distinguished persons I am glad that I have had this chance to share some of my views. I said that I wanted you to think of me as a consumer and I hope that you have. Finally I would hope that if you think of me as producing anything that it would not be a tonnage of pork, acres of corn or number of farms owned.

My most important asset in this world is my family and my children must be the final product. Our first child just found out this week that she was a national winner in the National Merit Scholarship Contest even though she attended a small highschool in Hanson County. Some of that disaster aid was consumed for her benefit. The results look profitable.

STATEMENT OF JOHN BEGEMAN, MONROE, S. DAK.

I'm a farmer in McCook County, South Dakota, operating about 240 acres with usually 40-50 Dairy Cows, with a total of about 80-90 head according to the last several years tax list. I am a member of the National Farmers Organization, although these views are not necessarily the official statement of N.F.O. Inc.

This year I have cut back to 30 dairy cows and about 25-30 head of calves, young stock and springing heifers. By way of explanation a springing heifer is not a high jumper but a young cow ready to have a calf and be in milk production. We have a lot of terms in Agriculture that sound strange out of context, as is true in any occupation or profession.

The new farm bill is on every farmers mind also on the minds of a large part of the farm related industries for several reasons. I would like to point out that Agriculture (Production) produces about 73% of the annual new wealth in the United States according to figures provided by the United States Bureau of Labor Statistics. This is defined as products which were not in existence before, the rest includes minerals, oil gas, coal and other food products, lumber, etc.

For the past twenty years the American farmer has been producing this wealth for 60 to 75 percent of parity; or defined in another way he is receiving 60 to 75 cents for each dollar he produces.

Let's go back to 1975, the value of all farm products was about 99 to 100 billion dollars for that year. If we had been receiving parity or cost of production plus a reasonable profit the value would have been \$130 billion or \$30 billion profit. On this we farmers would have paid about \$7.5 billion income tax. Do you know that I haven't paid income tax for the past 20 years on my farm income? Not because of tax loopholes or drought but because of no income, operating at this guaranteed loss level.

Getting back to our \$30 billion minus \$7.5 billion leaves \$22.5 billion. As money turns over from five to seven times in the economy—taking the lower figure of 5 times, this amounts to \$112.5 billion generated income. Taxes (Income) would have been about \$28 billion. Let's take this figure times the last 20 years, this equals about \$500 billion. In the last 20 years, we had a balanced National budget, was it twice? and now the National debt is what? about \$470 billion. These figures are more than mere coincidence. I'm not saying that if the American farmer had been getting cost of production we would not have a national debt, but what I am saying is that when one segment of the economy must support the rest of the economy, all suffer.

According to the Bureau of Labor statistics, the average American spends about 16.5% of his income on food. The next closest nation is West Germany where the average citizen spends about 22% of his income on food and West Germany has the most stable economy and currency in the world today. And there we are back to the 70 to 75% figure again.

The American farmer can produce food as efficiently as anyone else and probably more so, but it becomes pretty difficult to compete with governments—I'm talking about imports.

In the field of Dairy Products, we're producing a surplus, anyhow that's how the low prices are explained, and yet dairy products are being imported at a higher rate than last year and CCC purchases were less in 1976 than in 1975 according to Hoard's Dairyman a leading Dairy publication (1.2 billion pounds of milk equivalent compared to 2 billion pounds).

Imported food products, whether dairy, meat etc., should meet the same sanitary and wholesomeness standards that our domestic products must meet and this should include on site inspection of producing and processing methods as well as product sampling.

Our markets should not be a place where Mr. Rockefeller and others can market their cattle from Venezuela and other countries and then not have to pay income tax in the U.S. on profits from them. So that they can buy more ranch land there and continue the vicious circle of gaining more animosity toward the U.S. from the citizens of those countries in similar situations.

I have a son who is a career officer and I would certainly be upset if he and his men would be sent somewhere to "protect American interests". When these interests have ripped off the citizens of both countries involved—and these things have happened in the past—a case in point is Cuba.

This year, 1976, has been difficult. Slightly more difficult than the previous 20 but if we had had cost of production prices, it could have been taken in stride. No one knows all the answers but I would like to contribute my two bits worth or at parity prices, 17.5¢ worth.

At the 1976 N F O convention held in Milwaukee, Wisconsin in December the delegates calculated cost of production for all major commodities plus several minor ones. There are price goals: Wheat \$4.95/bu, Corn \$3.20/bu, Soybeans \$7.55/bu, Cotton \$0.79/bu, Milk bottling \$12.75/cwt, manufacturing \$11.80/cwt, Fat cattle \$65.25/cwt, Finished hogs \$53.50/cwt, and Lambs \$59.05/cwt.

I'm a dairyman so I know more about milk than the other commodities. Not bragging, it's just that I know less about the other commodities. My costs now are about \$11.50/cwt using figures of \$65/T hay, \$24/T silage, \$7/cwt grain mix, 9% int. costs, 5% replacement of facilities, and 10% replacement of equipment and cattle replacement of 25% plus a fair return for labor. This takes about 45 minutes to explain, it's not complicated—nothing is complicated—but explanations sometimes are.

I'm not advocating that the government guarantees our costs of production plus a reasonable profit but it should provide us with a favorable climate so that the producing farmer can bargain collectively with his neighbors for cost of production plus a reasonable profit—this we have not had in the past. In fact, N F O had the honor of being on that well known list of former

President Nixon. And going back to President Johnson we had an injunction thrown at us during the milk pricing action of 1967. Which was later found to be illegal in the courts, but produced the desired effect that broke up the pricing action.

Disaster assistance has been less than adequate in some cases. In my own case I'm eligible for an emergency loan. It does take some time to process these. This could be speeded up perhaps but I know our county personnel are working hard on it and I think doing a pretty good job. The feed assistance part could stand improving, especially in calculating values. Examples are that alfalfa hay is 63% the value of a lb. of grain. That's OK. But oat straw is valued at 53% and corn stover is valued at 61% of a lb. of grain. These two products compare to junk food in the human diet—they provide calories but they are empty calories—little digestible protein, low in minerals and vitamins.

What we need is a firm policy so we know what can be counted on.

1. Emergency loans to 90% of a normal yield at current or cost of production prices. These loans should be not more than $\frac{1}{2}$ of the current interest rate of two or more farm financing lending agencies or 60% of the prime rate.

2. In event of a complete disaster such as flood, extreme drought etc. feed should be made available from reserves for $\frac{2}{3}$ of normal herd size on cattle breeding stock. Because both beef and dairy herds take about $3\frac{1}{2}$ years to resume production from the time of the gleam in the bulls eye to steak on your plate or milk in your glass.

3. The emergency hay plan is a disaster in itself. Hay needs should be calculated again on $\frac{2}{3}$ of normal herd size and direct grants of money for hay purchases calculated on nutritional needs to be bought wherever and whenever it can for the best price. These needs should include production and stress allowances. The current program is a truckers bonanza and an energy bust.

Another area of real need, especially during natural disasters are conservation measures. My farm has a long term agreement for conservation. For the past two years I have been unable to have these performed because of lack of income. I feel that in case of natural disasters that instead of the government picking up 70 to 80% of the cost, that these practices should be done and the cost that the co-operator bears should be spread out over 10 to 20 years. These practices should include dug-outs, tree plantings, terraces and waterway construction.

A grain reserve should be maintained on the farm. For too long the farmer has been at the mercy of the grain industry, where if its out on the farm its surplus—if it is in their bins it is necessary inventory needed for orderly pricing. This reserve should be not less than 50% of normal yield for the operating unit, nor more than 125% that the government would share storage costs to the extent of 50% of storage costs—calculated on bind replacement spread over 20 years. I'm sure grain producers could come up with a workable plan. This must be insulated from dumping by being under farmer control. You should try to get as much input as possible from operating farmers.

The Food for Peace program is our best weapon for the defeat of world totalitarianism—whether it be communist, fascist, monarchy, capitalism—whatever. A person who is hungry or whose children are hungry become susceptible to almost every and any mental and/or physical disease; while a person who is assured of an adequate diet for himself and his family and also assured of a way of later achieving it on his own is able to make right, moral and physical decisions. I feel along with the food assistance programs should go educational and economic assistance so that these countries will have some way of becoming self-sufficient—not necessarily from a food producing standpoint—but economically.

A case in point is Japan since WWII. They are not self sufficient now from a food standpoint, but they are certainly economically self-sufficient.

Many of the so-called Third-World countries are about at the same point that Japan was at the end of WWII. That is, they need to develop or redevelop their economic potential and food assistance would be a start. This would be better than furnishing them with military hardware so they can kill each other. However our "captains of industry" seem to like to sell military hardware rather than skills.

In the field of Ag Research funds are being cut back. I feel this is a mistake. Some questions I have are:

How much of our energy needs can be filled by recycling of wastes—namely animal wastes?

How about more research aimed for use by the smaller farm operation—not advocating smallness but with the idea that Agriculture is just not a way to make a living but also a way of life.

Again these are not the official opinions of N F O Inc. but are my ideas as a member of the farming community and a member of N F O. I certainly thank you for your attention.

[The following material was submitted by Richard Tschetter, vice-president, South Dakota Board of Education.]

SOUTH DAKOTA DEPARTMENT
OF EDUCATION AND CULTURAL AFFAIRS,
Pierre, S. Dak., October 28, 1976.

HON. RICHARD F. KNEIP,
*Governor of South Dakota,
State Capitol Building,
Pierre, S. Dak.*

DEAR GOVERNOR KNEIP: The State Board of Education has been following a policy of holding some of its special meetings in communities outside of Pierre. On September 21, a meeting was held at Polo. In the evening, the citizens of that area had an opportunity to express their concerns.

The principal concern was the effect which the drought will have on the revenue available to operate elementary and secondary schools. Mr. John Biegler, Superintendent at Polo, developed an agenda for the meeting and presented a number of school superintendents, school board members and other citizens who discussed the problems in their school districts. Ms. Carlen Bell represented Senator Abourezk.* Jon Oviatt represented Congressman Pressler and Vern Larson represented Congressman Abdnor. The field representative for Senator McGovern was unable to attend because of a prior commitment, but sent his regrets.

The testimony presented at the hearing has been summarized and is being submitted to you at the request of the State Board of Education. We have enclosed copies of the prepared statements which were submitted at the time of the meeting and some letters which were sent by superintendents who were unable to attend.

In addition to the information obtained at the Polo meeting, Mr. Wanek and I attended the hearing in Aberdeen which Senator Abourezk held to receive testimony regarding the problems created by the drought. Essentially the same information was presented in Aberdeen, but indicated a greater impact due to the larger area represented at the meeting.

On Wednesday, October 27, Gloria Hanson, Dr. Hansen, Mr. Wanek and I met with the Superintendent from the Grant-Deuel District** (Revillo) and several members of the school board. The same problem exists there except that the district has already experienced reductions in revenue which has caused the district to curtail some of its activities. The reduction amounted to \$30,000 for the current year with an anticipation of a shortage of an additional \$50,000 next year. We are enclosing a copy of a letter which the Superintendent sent to his staff on October 14, in which he stated the problems facing the district.

We hope that this information will be of value to you in your study of the problems related to the drought. The State Board and the Division of Elementary and Secondary Education want to work with you in seeking solutions to the problems related to funding education.

Attached to the report is a list of possible courses of action. The DESE staff is working in the areas listed under items three, four and five. We want to discuss all of these items with you at our conference on November 1.

Sincerely yours,

THOMAS C. TODD,
State Superintendent.

Enclosure.

*See p. 204.
**See p. 206.

The following motion was adopted by the State Board of Education at its meeting in Miller, South Dakota on September 22, 1976:

That a report concerning the drought and the anticipated effect on school district budgets be sent to the Governor and the Congressional Delegation, which would include: (1) testimony given during the public forum in Polo, and (2) a request for temporary financial assistance from the state legislature and/or the Congress for those school districts whose budgets will be affected significantly by the drought.

REPORT OF THE PUBLIC MEETING OF THE STATE BOARD OF EDUCATION
AT POLO, S. DAK., TUESDAY EVENING, SEPT. 21, 1976

Whenever the State Board of Education holds a meeting in a community outside of Pierre, an open meeting or forum is held in the evening to allow the citizens of the community to express their concerns regarding school matters relating to elementary and secondary education.

The Polo meeting was much more structured than any of the other meetings held by the State Board. Mr. John Biegler, Superintendent of Schools at Polo, arranged the meeting and prepared the agenda. The main concern of the people in attendance was the problems which now confront school districts or which will confront them during the 1977-78 school year or even longer, if the drought continues.

There were approximately 200 people in attendance. Among the communities represented were the following. Orient, Polo, Faulkton, Hosmer, Onaka, Westington Springs, Aberdeen, Redfield, Miller, Holabird, Highmore, Conde, Howard, Ramona, Lebanon, Gettysburg, Pierre, Ft. Pierre, Kimball, White Lake, Carthage, Wessington, Alpena, Rockham, Ipswich, Seneca, Miranda, Zell, Bowdle and Java. Carlen Bell, from Senator Abourezk's office, Jon Oviatt, from Congressman Pressler's office and Vern Larson, from Congressman Abdnor's office were present. The field representative from Senator McGovern's office was unable to attend because of another commitment, but sent his regrets. School superintendents from Faulkton, Harold, Highmore, Miller, Polo, Redfield, Westington and Wolsey were present and several of them presented reports of the conditions and problems facing their respective districts.

The following problems or concerns were expressed:

1. The forced selling of livestock because of the drought is causing a significant reduction in the valuation of personal property, in most districts.

2. Cattle being moved to other locations where there is feed and pastures will no longer be taxed in the district where they originated.

3. Reduced income among farmers and ranchers may result in non-payment of taxes.

4. School districts are levying at the maximum and there is no chance for increased revenue from this source.

5. School programs are minimal now. Any reduction in revenue would force cutting the educational programs. If this is necessary, which programs do you cut?

6. Most districts do not have any carryover or surplus funds.

7. The option of registering warrants on anticipated revenue exists, but this is only a temporary means of continuing the operation of the schools. A prolonged drought would require a different remedy.

8. Some districts have already experienced reduced revenues and have reduced staff and programs. There is a limit to how far the staff can be cut and how much reduction in programs can take place before the quality of the education program is no longer acceptable.

9. The property tax is not flexible enough to meet today's educational minimums. There is a need for other types of taxes with the necessary flexibility, including a new educational tax which adjusts with changes in the economy.

10. The business firms on main street have not felt the effects of the drought yet, but they will by next year. (Probably result in reduced inventories.)

11. There is a need for a state or federal disaster fund to be made available to school districts which have experienced a significant reduction in the tax base; a considerable reduction in revenue for school operation and a sizable reduction in school staff, program, etc.

12. One suggestion, was to have a different type of disaster designation, since the type and amount varies from county to county. The disaster designation

might be on the basis of: corn-yield, wheat-yield, barley-yield, oat-yield, hay-yield, pasture-yield, etc. By measuring the degree of loss in the various categories for each county, the degree to which each county would need assistance could be calculated.

13. There is a short-term problem, dealing with the effects of the drought, which requires emergency attention and relief.

14. There is the long-term problem, which deals with a better way of generating revenue for school districts and an equitable and adequate means of distributing that revenue among the districts of the state.

Attached to this report are some prepared statements pertaining to this problem and some statistics as to losses which school district personnel anticipate as a result of the drought.

Possible courses of action:

1. Establish an emergency-aid fund for elementary and secondary schools: (a) Disburse this on a need-basis as grants to school districts, or (b) supply it on a loan-basis at a very low rate of interest or with no interest.

2. Seed federal disaster-aid for school districts.

3. Seek additional economies in the operation of our school systems without sacrificing educational programs. (Such as sharing services among districts.)

4. Seek places where state school standards and rules might be relaxed to reduce expenditures without significant impairment of the educational program. (DESE staff study is underway.)

5. Establish criteria for use in determining the degree of financial distress or need of districts.

[The following is the text of a statement given by Superintendent John J. Biegler, Polo School District 29-2, Polo, South Dakota, to the State Board of Education meeting held at Polo on September 21, 1976.]

I would like to expand a little on the figures that Superintendent Marso gave you and discuss the added impact that this drought will have on the small school.

First of all, the drought will force this school district to cut its General Fund expenditures by 32.23% or \$32,000, for the next school year. The reason for this is because we, like many small schools in the state, are more dependent upon the assessed evaluation on agricultural property, than bigger school districts. (In our case, 97.68% of our total assessed evaluation is ag property—one of the highest in the state.) Unlike some school districts, we are at maximum mill levy. We will not have a significant carry over, nor do we have a substantial cushion built up.

But the real problem for the small school is finding ways to cut. We offer 26½ units of credit—just one-half above the required minimum. So, we can't cut curriculum. That leaves activities. Certainly, as much as I hate to, we can cut activities. But in our case, this would only result in a savings of \$1,500 to \$2,000, which is really not terribly significant when trying to cut \$32,000.

So what do we do? In all honesty, and all sincerity, I don't know. Certainly we can borrow the money. But what scares me about that is what happens if we have another dry spring and summer?

It appears to me that we need special financial consideration from the state and/or the federal government. This drought has been extremely frustrating for me and many of my colleagues. We have talked and written to our congressmen, the governor, the lieutenant governor, the drought offices, and everyone else we can think of. All of these officials have been most sympathetic to our problem, but have not been able to offer any real help. The problem appears to be that this drought is not wide-spread enough or dramatic enough to warrant national attention and immediate concern. According to our congressmen, the national leaders are not ready or willing to provide the help needed to see us through these dry times.

It seems so ironic, I guess really sad, that this nation—the richest in the world—cannot provide a few hundred thousand dollars to our schools, but can provide millions and millions to foreign governments when a catastrophe hits them. I'm afraid that somewhere along the line, we have gotten our national priorities mixed up.

I think that many of us are here tonight to solicit your help in trying to straighten out these priorities.

What we are asking for is a resolution by you calling for special financial help for our drought-stricken school districts. We are also asking that you and the department of elementary and secondary education take an active and leading role in trying to obtain the special financial help so badly needed.

We earnestly solicit your support.
Thank you.

DROUGHT RESOLUTION

In light of the severe drought conditions that exist within our school district, the Board of Education of Polo School District 29-2, respectfully requests that the State of South Dakota and/or the federal government make every effort to provide the school district with special financial compensation to make up for the 32.33% loss of local tax revenue caused by the drought.

The above resolution was unanimously passed by the Polo School District No. 29-2 Board of Education on September 13, 1976.

This resolution was also unanimously passed by the Polo Educators Association.

SEPTEMBER 21, 1976.

MEMBERS OF THE STATE BOARD OF EDUCATION,
State of South Dakota.

LADIES AND GENTLEMEN OF THE BOARD: The administrators and Boards of Education of the Faulkton, Harrold, Highmore, Miller, Polo, Redfield, Wessington, Wessington Springs and Wolsey Schools wish to enter the following information in the record of the proceedings of this meeting:

The administrators of the aboved named schools have on September 9 and September 17, 1976 met and discussed the impact that the cattle sell-down and the drought is having on current and future school budgets. Several of the local Boards of Education have adopted resolutions intended to call attention to this impact.

Solutions will not be easy! Each school believes that it is currently offering a basic program for students—that the school programs contain no frills! Each school is streamlining its operation and has already pared its budget in an attempt to help ease the taxpayer's burden.

Schools deal with boys and girls! To dismantle an art program, a kindergarten program or an extra curricular activity takes opportunities away from children. We want to avoid this, if possible.

The following figures illustrate the estimated impact that the cattle sell-down will have on our respective school systems.

School	General fund budget	Deficit current budget	Lost dollars cattle selldown (calendar 1977)	Lost dollars percent general fund
Faulkton.....	\$760,000	-----	\$38,000	5.7
Harrold.....	264,000	-----	18,000	6.8
Hyde County.....	731,000	-----	49,000	6.7
Miller.....	1,473,000	\$111,000	100,000	6.8
Polo.....	128,000	-----	32,000	25.0
Redfield.....	1,140,000	80,000	40,000	3.5
Wes. Springs.....	923,000	-----	32,000	3.5
Wessington.....	275,000	-----	40,000	14.5
Wolsey.....	447,000	40,000	15,000	3.4
Total.....	6,141,000	231,000	364,000	5.9

The statistics listed above relate only to the cattle sell-down. Other aspects of the drought have to be considered also. We believe that the taxpayers in this area have suffered the effects of a double edged sword—(1) drought and (2) the loss of tax base because of the sale of cattle herds.

We ask that the State Board of Education seek some equitable solution to this situation which is unique to our area.

Thank you and please be assured that our schools will cooperate in every way possible during these trying times.

Yours very truly,

TOM R. MARSO,
*Superintendent of Schools,
Miller School District No. 29-1.*

RESOLUTION ON DROUGHT DISASTER EFFECTING THE
HYDE SCHOOL DISTRICT No. 34-1, HIGHMORE, S. DAK. 57345

ADOPTED BY THE HYDE SCHOOL BOARD ON SEPT. 13, 1976

Whereas, We, the Hyde School District No. 34-1, School Board, expect a severe reduction in payment of school taxes now and in the immediate future; and

Whereas, We, the Hyde School District No. 34-1, School Board, do not feel a reduction in the services and programs offered by the School District will remedy the situation now or in the near future; and

Whereas, We, the Hyde School District No. 34-1, School Board, believe in quality education for boys and girls; and

Whereas, We, the Hyde School District No. 34-1, School Board, are aware that a loss in cattle valuation alone in Hyde County will reduce our total valuation on Ag property from approximately \$19,000,000 to a figure below \$17,000,000 valuation; and

Whereas, We the Hyde County School District No. 34-1, School Board, estimate an approximate 9.2% revenue loss in tax collections immediately, and

Whereas, We the Hyde County School District No. 34-1, School Board, anticipate in the near future a more drastic reduction in school revenue to compound the issue so severely that the loss in school revenue will exceed \$150,000; and

Whereas, We, the Hyde School District No. 34-1, School Board, cannot raise the additional estimated taxes because the mill levies of 24 and 40 would be exceeded; therefore

Resolved, That the Governor of South Dakota, the State Legislature, the State Department of Agriculture, the State Board of Education, the State Superintendent of Public Instruction, the State Drought Assistance Office, the United States Senators from South Dakota, the United States Representatives from South Dakota, the United States Department of Agriculture, the United States Health, Education, and Welfare Department, et al. Do take immediate steps with all due speed and direction to insure the school districts of South Dakota effected by the drought disaster that the boys and girls receive a quality education.

Resolved, That an emergency now exists by the drought stricken disaster school districts in loss of school revenue and that the State Board of Education, the State Superintendent of Public Instruction and the Education department of the Health Education and Welfare Department of the United States, take immediate steps to relieve the loss of revenue to the effected drought stricken disaster school districts.

September 13, 1976—Regular School Board Meeting of the Hyde School District No. 34-1, Highmore, South Dakota 57345.

The above resolution offered by -----

Seconded by -----

Unanimous vote by the Hyde School District No. 34-1, School Board.

ROBERT GADD,
Chairman.
DONALD MASON,
Business Manager.

GARY INDEPENDENT SCHOOL DISTRICT No. 19-3,
DEUEL COUNTY,
Gary, S. Dak., September 14, 1976.

JOHN BEIGLER, *Superintendent,*
Polo School District No. 29-2,
Orient, S. Dak.

DEAR MR. BEIGLER: I received your letter this morning inviting me to appear before the State Board of Education at your school on September 21st, but I regret my inability to make it at that time. I do, however, wish to have you convey my ideas on the serious situation confronting this district because of the severe drought.

Our already low assessed valuation of \$3.5 million dollars is going to be severely reduced because of the sale of foundation herds of cattle within the district. The present "sell-off" amounts to more than 50% of the normal herds

and will be much more before the year is out. Several auction sales have been held whereby everything was sold from a farm because the owner or lessor could not get financial backing to continue his farming practices.

I do not have accurate figures on just how drastic the dry weather will affect this area, but I do know it will be very severe since we have had no more than three inches of rainfall since the first of June. The recording of rainfall at Clear Lake (the nearest station) does not reflect the seriousness of the drought in the Gary vicinity. The North $\frac{1}{4}$ of the district is very comparable to the area in the Milbank vicinity and is truly a disaster area.

The small grain did not even make good hay while the corn is poor silage and none will make ears for picking.

Sincerely,

R. L. MARTIN,
Superintendent.

P.S. The adopted budget for 1976-77 shows a deficit of \$20,000 unless the state Legislature assists through an additional appropriation for the present year.

CASTLEWOOD PUBLIC SCHOOL,
Castlewood, S. Dak., September 15, 1976.

SUPERINTENDENT JOHN BIEGLER,
*Polo School District,
Orient, S. Dak.*

DEAR SUPERINTENDENT BIEGLER: Because of a local conflict we will be unable to attend the public forum scheduled for Tuesday, September 21 at 8:00.

According to the agenda one of the topics to be considered is the impact of the drought on public schools of South Dakota. I would like to convey the feelings of the school administration and board of education of the Castlewood Public School to the state board of education concerning this timely topic. Eastern Hamlin County where Castlewood is located was one of the areas hardest hit by the drought in South Dakota. I do not have accurate figures at this point but am reasonable sure that the number of cattle in our school district will be down by at least $\frac{1}{3}$. We have been levying at the maximum levies for the last five years and with increases in state aid and local evaluation have been able to keep the budget balanced. However, faced with the loss of evaluation due to diminishing number of cattle and other livestock plus the increasing costs of education we are going to be in trouble.

It is quite apparent that many of the school districts in South Dakota are going to have to receive additional state monies in order to survive.

I wish to thank the state board for allowing us to provide input into this matter that is very vital to many schools. I am hoping a satisfactory solution can be arrived at to this very pressing problem.

Sincerely,

DONALD JORGENSEN,
Superintendent of Schools.
CARTHAGE PUBLIC SCHOOL,
Carthage, S. Dak., September 21, 1976.

State Board of Education:

The drought has caused a lot of hardships upon the people in our school district, as well as the school districts around us.

The crops of all kinds were almost a total disaster. In losing all of the feed crops, the farmers in our school district have had to sell most of their cattle or move them to a different county or state.

This year our mill levy will be 23.47 on Ag Value and 38.94 on non Ag Value. Approximately 85% of all our value in our school district is farming.

In some calculations made the farmers in our school district will have moved between 85%—90% or more of cattle by February 1, 1977.

In my calculations we would lose about 400,000 or more in valuation, plus the trouble that the farmer will have in meeting their taxes.

I know that we aren't at the maximum mill levy; but with losing the cattle we will be way over for the next taxation period.

I hope that the legislature, with the help from other information sources, will be able to see the plight of our farm school districts in South Dakota.

Sincerely,

STEVEN SELCHERT,
Superintendent.

RESOLUTION ON DROUGHT DISASTER AFFECTING THE
HYDE SCHOOL DISTRICT No. 34-1, HIGHMORE, S. DAK. 57345,

ADOPTED BY THE HYDE EDUCATION ASSOCIATION ON SEPT. 20, 1976

Whereas, We, the Hyde Education Association, believe in quality education for boys and girls; and

Whereas, We, the Hyde Education Association, recognize the drought situation in Hyde County will have a negative impact on the entire economy within the county; and

Whereas, the local state and federal governments give assistance to help resolve a wide variety of emergency problems, we feel they should support quality education. We urge these groups to provide all possible assistance to alleviate the financial problems of the drought stricken area and insure that quality education is maintained in the district; therefore

Resolved, That the Governor of South Dakota, the State Legislature, the State Department of Public Instruction, the State Drought Assistance Office, the United States Senators from South Dakota, the United States Representatives from South Dakota, the United States Department of Agriculture, the United States Health Education and Welfare Department, the State Board of Equalization and the County Commissions, et al. Do take immediate steps with all due speed and direction to insure the school districts of South Dakota affected by the drought disaster that the boys and girls receive a quality education.

Resolved, That an emergency now exists by the drought stricken disaster school districts in loss of school revenue and that the State Board of Education, the State Superintendent of Public Instruction and the Education department of the Health, Education and Welfare Department of the United States, take immediate steps to relieve the loss of revenue to the affected drought stricken disaster school districts.

September 20, 1976—Special Meeting of the Hyde Education Association, Highmore, South Dakota 57345.

The above resolution offered by Hyde Education Association.

Vote by the Hyde Education Association.

JOHN ZIEGLER, *President*.

STATEMENT BY CONGRESSMAN PRESSLER—PRESENTED BY HIS FIELD
REPRESENTATIVE, JON OVIATT

Congressman Pressler wishes that he could personally attend these hearings: however, the heavy schedule facing the Congress makes it impossible for him to leave D.C. He asked that I read the following statement in his behalf.

As a member of the House Education Committee, I have expressed a growing concern over the possible need for some type of Federal relief for our schools in the drought area. We have been talking about additional assistance for farmers, business people, and others, however, we have been overlooking the impact the drought will have on the financing of education.

Statewide, the estimated sell-off of cattle primarily due to the drought is projected to reach over 34% by February. County dependence upon cattle for tax revenue of course, varies; however, in those areas hardest hit by the drought, the capital loss from the projected cattle sell-off will decrease County revenues up to 10%. In turn, these decreases in County tax revenue will have a serious impact on our school districts which, on the average, depend upon this source for 62.3% of their funds.

Countering the effects of drought on education, as well as other areas, requires a concerted effort by all levels of government. It is my hope that through hearings such as these and through the combined efforts of the federal, state, and local governments, we may begin now to plan for the difficult times ahead.

I look forward to any recommendations you might have.

That concludes Congressman Pressler's statement. If anyone has comments or suggestions which you would like relayed to Congressman Pressler, I would be happy to talk with you following this public forum.

STATEMENT OF LAWRENCE BROWN, PUBLISHER, NATION'S CENTER NEWS,
BUFFALO, S. DAK.

Senator, I appreciate this opportunity to testify on agriculture needs and thank you for conducting this public hearing in S.D.

First, agriculture could practice more economy of production, save some expensive inputs, and slightly reduce crop surpluses without reducing farm net income. This industry has gone overboard in a production race that often ignores production costs.

Agriculture could be much more energy efficient and help reduce this nation's dependence on foreign oil. It doesn't make a lot of sense to apply large amounts of nitrogen fertilizer that depletes fossile fuels, to over-produce more market depressing supplies of grain.

As a partial solution, this industry could use more plowdown crops of clover, more summer fallow and alfalfa rotations to replace some of the dependence on nitrogen fertilizer. Government certainly could be an advocate of this kind of energy economy, or possibly offer some incentive in this direction.

Alfalfa rotations not only offer a renewable source of soil nitrogen, but the protein could produce leaner, healthier and more economical beef. If more alfalfa were blended in finishing rations, we would produce more lean and less waste fat on feedlot animals.

Agriculture needs to pursue a more dynamic marketing policy that includes new product development. Our industry can supplement this nation's energy needs. The state of Nebraska has been experimenting with industrial alcohol made from corn, a product they call Gasohol.

Approximately 4 gallons of automotive alcohol fuel can be made from a bushel of corn and the remaining residue or mash is still a quality livestock feed. Compressed sunflower stalks have more BTU's of heat than a like weight of coal. And many types of fibrous crops offer a potential for building material similar to pressed wood products.

More research is needed to develop industrial products from agricultures renewable resources. Now is the time to consider how much mining of non-renewable resources we can take from future generations. Agriculture's production is annually renewable as well as a contributor to this country's economy and balance of payments.

Then something needs to be done about quality control of export grains. Many reports indicate foreign shipments contain sand, gravel, sea shells and other contamination up to 17% of shipments.

This contamination alienates foreign grain customers and is totally needless as farm wheat, for example, rarely exceeds 2% dockage leaving the harvest field. Now we have a new government inspection program that proposes to inspect the grains at country elevators and pass the bill on to farm producers, rather than check seaport shipments where the problem apparently originates.

As a final point, many farmers are considering planting acreages like summer fallow and other added ground in anticipation of building, or backgrounding for crop history and future acreage allotments. Some assurance from USDA may reduce the burden of surpluses this added planting could create, if indeed the department doesn't plan to use the 1977 planting as basis for future allotments on acreage controls.

To sum it up, American agriculture has a dynamic potential, much of it yet untapped. Consumers need the family farmer as bad as the industry does, but farmers need a living and competitive wage.

Government can offer some guidance, sense of direction and product research without large tax-supported subsidies. Agriculture needs a infusion of Scottish thrift to use its horsepower without killing the horse.

WESSINGTON SPRINGS, S. DAK., February 21, 1977.

DEAR SENATOR: I would like to be at your meeting in Sioux Falls Feb. 26 but I don't think I can make it. We need a good farm bill; one that will guarantee cost of production in case of drought with some drought aid.

Yours truly,

HENRY METTLER.

CLAREMONT, S. DAK., *February 21, 1977.*

DEAR SIR: I would like to see and am interested in a Farm Program based on the cost of production.

I realize there would have to be some sort of control to keep from over producing. I think this could be done by allotments. The years there was a good crop, the surplus could go into a needed reserve.

It would have to be so that the cotton farmers couldn't plant wheat on their idle acres or the farmers up north couldn't plant milo or sorghum on theirs.

Yours truly,

GEO. HANSON.

REVILO, S. DAK., *February 17, 1977.*

DEAR SENATOR MCGOVERN: I am writing in response to your request for input in regard to the 1977 farm bill. To say the least, 1976 was a disastrous year for So. Dak. farmers. We will need years to recover.

There is a "mountain" of ideas in regard to how a disaster of this nature should be dealt with.

I have concluded that any new disaster legislation should be simple and direct. I feel this type of legislation would be easier to get thru Congress and would be better all the way down to farmers.

I would recommend a simple law that would allow farmers to borrow at a low interest rate according to their amount of loss. Every farmer has a different situation—except for one thing—money.

In regard to an overall farm bill for the next five years, I still would like to see a two tier (two price) farm program at least one put together around that theory. One price for domestic consumption—one for export.

Thank you for the hearing in Sioux Falls on the 26th.

Sincerely yours,

ARTHUR MAGEDANS.

MILBANK, S. DAK., *February 16, 1977.*

Senator GEORGE MCGOVERN,
Sioux Falls, S. Dak.

DEAR SENATOR MCGOVERN: In reply to your letter of Feb. 14, I submit the following thoughts for consideration at the hearing in Sioux Falls on Feb. 26.

1. Bring low interest money into the area, especially emergency loans to young farmers.
2. On farm storage of grain under loan.
3. Loan or sale value of basic crops should be based on cost of production.
4. A complete investigation of:
 - (a) Companies that handle or process farm products.
 - (b) Companies that handle or produce the equipment that the farmer must purchase—especially machinery. The present cost-price squeeze is a strangulation of the farmer.
5. Revise farm acreage allotments on wheat in this area. Wheat is a much better drought season crop than corn, but acreage allotments have been cut so low that they are constrictive. E.G.—Our own wheat allotment is only 5% of our tillable acres.
6. Drought is a greater calamity than is flooding. The recovery period is much longer and the devastation more complete.

Sincerely,

Mr. and Mrs. HAROLD STREET.

CLAREMONT, S. DAK., *February 20, 1977.*

DEAR SENATOR MCGOVERN: In regard to the new Farm Program, I think we will have to go back to more idle acres or conserving acres to reduce the surpluses.

The past farm disaster program was good but with inflation its costs didn't commence to cover expenses also keep a limit on the total gov't disaster payments each farm or corporation could collect. Also cut this disaster loan program down from \$250,000 as anyone who needs to borrow this much to make a living should get out of farming. The way it has been, the person who has squandered or invested beyond his means has been the one to benefit most from the gov't

programs, and the person who was more conservative and tried to get ahead would get no help.

We need a program where our products are set at a decent cost of production on all commodities not just a few; as to how it should be managed I do not know.

Yours truly,

HERBERT FOOTE.

ASTORIA, S. DAK., *February 23, 1977.*

DEAR SENATOR MCGOVERN: I won't be able to be in Sioux Falls to testify this Saturday morning, so am writing down a few of the things I would like to call to your attention.

I am 39 years old and have been farming 18 years. We have 5 children, one in vocation school, three in high school and one in grade school.

When we built our new home this past summer we secured a FHA loan for \$27,500 at 8½%. We have some young people in our town of Astoria who work for construction in the summer and draw unemployment in the winter and who have FHA home loans for 2 & 3%. I don't feel this is right. We lived in our old, poor house for years, hoping things would get better, but instead they got worse. We are carrying a big mortgage on our farm of 240 acres. I don't think it is fair that we should pay 8½% while some borrow money for 2 or 3%. I also feel that the Durel County FHA supervisor, Doyle Busby, should be replaced. He is not a public relations man at all. One time when you go in to ask about a loan he may tell you to go ahead and the next time he will tell you to forget it. If he doesn't like you, he won't loan you any money at all.

In regard to the price support: I feel we should be entitled to 90% parity, the cost of production, and the price of machinery. We aren't getting a fair return. I believe we should go back to farm storage of grain, instead of storing it at country elevators.

The emergency loans are a real help but should be at 1% instead of 5%.

Sincerely,

MELVIN JOHNSON.

ASTORIA, S. DAK., *February 23, 1977.*

DEAR SENATOR MCGOVERN: I am a farmer from Astoria, South Dakota.

I want to offer my testimony with respect to four items which I feel should be included in our nation's agricultural policy.

These items are: Credit—loan guaranties through all agricultural lending agencies, private and public.

Price stability—short term price supports to soften sharp short-run price drops.

Weather—improved weather forecasts and cloud seeding research and development.

Farmland ownership—ban against large scale land purchase.

A more detailed explanation follows.

A. CREDIT

It has been my experience that the more flexibility I have in choosing my source of farm credit, the better able I am to plan my farming operations. Many farmers do not have this same flexibility so primarily they use FmHA. However, some of my neighbors have related to me some unfortunate horror stories from first hand knowledge and experiences in working with their FmHA officer.

I suggest a change as follows: Allow the farmer a choice of which credit source he wants to work with. This flexibility allows him to make his choice based on personal preferences, services offered, etc. It can be FmHA, a private banker, the Production Credit Association, the Federal Land Bank or any other recognized credit agency. Loan guaranties and/or federal monies would be channeled to all these institutions whenever a farmer does not have sufficient collateral for a normal loan. For example: A private banker could receive the necessary guaranties or waiver of collateral through the Federal Reserve system if and when a farmer applies for a loan, is a good risk, but simply lacks sufficient collateral.

Any emergency credit legislation would be implemented in the same manner as described above.

B. PRICE STABILITY

I am in favor of price stability as long as it reflects the longrun price trend of the farm commodity and of national policy.

As long as farmers are numerous enough that they offer a near pure competitive situation as producers and sellers of any particular farm commodity and are in no particular position to effectively bargain with the buyer of the commodity, they should be protected from sharp short-run price downturns in an oligopsony market. I also believe this policy would continue to supply the consumers with food products in accordance with current supply and demand.

C. WEATHER

(1) I agree with agricultural Secretary Bergland's statement (February 1977) to try to provide to agriculture long range weather forecasts and their respective probabilities of occurrence. If the United States military can secure and use this type of data then I believe agriculture should also have access to it in order to plan accordingly.

(2) I also support weather modification efforts. Data and experience indicate that hail suppression and moisture augmentation does work.

I am a member of a private non-profit organization of South Dakota farmers who believe there is a chance for positive results from cloud seeding and are contributing ten cents per acre per season to seed clouds in a five county area. We hope to cooperate with farmers in an eleven county area from west central Minnesota.

I believe that the United States Department of Agriculture should take an aggressive long range role in weather modification research and development. Conflicting scientific reports are abound, sometimes emanating from the same research project. This leads me to suspect the motives of some of these scientists. The real results are not identifiable and useable by the farmer.

D. OWNERSHIP OF FARMLAND

I am in favor of the family farm and oppose large purchases of farmland by anyone, foreign or domestic.

I do not like the idea of financial investment institutions purchasing millions of dollars of farmland as has recently been proposed. I fear economic devastation will occur in agriculture. I have observed what has happened to the stock market when large investment institutions began buying and selling huge blocks of stock. It has ruined the stock market as a source of capital for United States industry. No longer can a company use issuance of stock as a reliable source of needed capital, hence economic growth is being hindered.

I submit that large blocks of land being bought will drive up the price, encouraging more companies to get into the action. Quick profits will encourage more and more land purchases. When the peak is reached, prices will begin to slide, losers will encourage more sales. Farmers operating during this period and who have a reasonable operating debt may suddenly find their land has no collateral value and may be forced to sell out, thus adding to the downslide of land subsequently ruining hundreds and thousands of farmers.

Thank you for allowing me to testify with respect to our nation's agricultural policy.

DALE E. ROTH.

IPSWICH, S. DAK., February 18, 1977.

SENATOR GEORGE MCGOVERN,
U.S. Senate,
Washington, D.C.

DEAR GEORGE: In your letter of February 14 regarding the meeting in Sioux Falls on February 26, 1977, I will contact as many concerned people as possible requesting their attendance at the meeting.

I will be unable to attend myself, due to another commitment.

I have some very strong thoughts that I would like to have given consideration in a new Farm Bill.

Disaster protection is very important and I suggest that it should cover drought as quickly and completely as it does flood, etc. Where it is too dry for

seed to sprout and come up, it is a waste of seed, fuel, and machinery and time to plant it. Those people should have the same protection as if it completely dried out later in the growing season.

This year we have the largest carry-over of wheat ever. I am sure that this will cause depressed prices throughout this year at least. Many farmers will still plant all the wheat possible just to be covered under the present disaster program. If we could get coverage on Alfalfa, hay and oats, many acres would be diverted from Wheat to these feed crops which are in great demand. It is my belief that these feed crops are just as much a cash crop "thru livestock", as Wheat and Corn.

I believe that any new program should be based on 90% of true parity.

Possibly some adjustment should be made on Wheat allotments and Corn bases, but care should be exercised. We should look back to the result of fence to fence planting of Wheat that was asked for—how it has made our present Wheat surplus.

I believe that we should have a Food and Feed reserve that should be stored on the farms through a workable loan program, with the safeguard that it not be used as a weapon to control prices.

We should have a workable way of controlling cattle and red meat imports through the Sec. of Agriculture, that would reduce imports when cattle prices are depressed as at the present time, and would increase imports when prices got higher than the cattle men need for a profitable operation. This would prevent hardship to consumers, too.

We need a thorough, impartial investigation of why the over-the-counter price of meat is so much out of line with what the producer receives.

I believe that our present Crop Insurance Program needs a very thorough check up and that consideration should be given to eliminating as much duplication as possible between ASCS, SCS, and Crop Insurance programs. Much money could be saved in the administration of these programs if they were properly set up. I have expressed an interest in one of the ASCS State Committee jobs to be filled in South Dakota, and if I am fortunate enough to receive one of these appointments, I will be willing to spend unlimited time helping make these suggestions become a reality.

I have talked to many people in regard to the land purchases proposed by Continental Illinois Bank and Trust Co. jointly with Merrill Lynch, Pierce, Fenner and Smith, and all are very much in opposition to this and are really "up in arms" on the income tax exemption they have applied for.

I am trying to get the Sioux Falls meeting on our local radio program which could give us a good coverage.

Sincerely,

PAUL MCGINN.

THE PIERRE NATIONAL BANK,
Pierre, S. Dak., February 22, 1977.

HON. GEORGE MCGOVERN,
Sioux Falls, S. Dak.

DEAR SENATOR MCGOVERN: As per your letter of February 14 in regards to an agricultural hearing that you're having in Sioux Falls on February 26. I'm sorry that I will not be able to be there in person but would like to relay on to you my particular comments.

The agricultural economy of South Dakota not only has been affected by the two-year drouth that we have had in this area, but also the price structure of the agricultural products. This price structure I am speaking of is the relative prices received for products sold to prices paid for operation expenses.

On December 31, 1976 the parity prices of major agriculture products sold in this area as wheat and livestock, as calves and hogs, are the lowest of all parities. The next lowest parity as of December 31, 1976 was wool and, in turn, we do have a few sheep in the area. The December 31, 1976 parity on the two main agriculture products was 49 for wheat and 49 for calves. Even over this time parity index the prices paid for operations, etc. raised over the past three years from 549 in 1974 to 654 for an index as of December 1, 1976. This is an increase of 19 per cent. At the same time the prices received on these major products dropped 22 per cent. This makes for a total loss of the agricultural

industry in this area of 41 per cent. This is only a loss of the price structure of agriculture products and not the loss of drouth, etc. A loss of this nature cannot be taken by the producers of food and in turn stay in business to produce the foods for the nation.

The following paragraph relates some of the percentages of the main products in this area. On beef per pound the average price for beef in 1974 was \$39.60, 1975 was \$31.00, 1976 was \$35.40, a decrease of 12 per cent in these years stated. In turn, the price index of what the consumer paid for these items was: in 1974 the index price was 162.5, in 1975—165.7, and 1976—162.8, and relative to the wheat and other source of returns in our area a bushel of wheat was worth \$4.47, in 1975 an average price was \$3.63 and 1976 an average price of \$3.52, a decrease of 21 per cent.

In turn, the manufactured retail products index for 1974 was 168.0 and in 1975—179.6, in 1976—174.0, or an increase of 4 per cent. In turn, the average parity prices received have deteriorated from 1947 to 87 per cent parity, 1975—74, and 1976 to a 72 average parity.

Respectfully submitted.

Yours truly,

ROLAND J. FINERAN,
Vice President.

P.S. The FHA Emergency Loans have serviced the drought area very good this winter, put agriculture people back into business, but now the Profit is the Name of the Game! Sold their land the second time.

R. J. F.

STATEMENT OF JOHN J. BIEGLER, SUPERINTENDENT, POLO SCHOOL DISTRICT 29-2,
POLO, S. DAK.

I would first of all Senator, like to express to you and the other members of the Senate Agricultural Committee my thanks for taking the time to come to the people to get their reaction and input on this most important legislation. I would like to divide my statement into two parts. The first will outline what effect the severe drought will have on my school district and the second will outline some suggestions for future drought legislation.

The drought problem for some S.D. school districts is serious, for others it is severe. My school district, Polo, is one of those where it is severe. Polo School District is located entirely in Hand County. I would like to give you just a few pertinent facts about my county. First, on February 1, 1976, Hand County had 125,643 head of cattle. (This was the largest cattle producing county in South Dakota.) On February 1, 1977, it is estimated that there will be 20,000 head of cattle in Hand County—a reduction of 84.1%, the highest in the state. Second, the average value of crop production from 1967 through 1974 in Hand County was \$9,778,247. The estimated 1976 value of crop production is \$1,770,956—a reduction of 81.89%. Third, 68% of the personal income in Hand County comes from farming—the third highest in the state. I would guess that well over 90% of the personal income in Hand County is directly dependent upon the farmers and ranchers. I am sure you will agree, Senator, that Hand County has been, and will continue to be, severely hurt by this drought.

However, Polo School District will suffer greater from this drought than any other county agency in Hand County and probably any other school district in South Dakota. The major reason for this is the fact that Polo, like many small school districts in South Dakota, is primarily dependent upon the assessed valuation on agricultural property. In our case 97.68% of our total assessed valuation is ag property—one of the highest in the state. I conservatively estimate that my ag property assessed valuation will drop by over 1.3 million dollars in 1977. This will result in a whopping 32.33% decrease in local tax revenue, or \$32,000.00.

This problem becomes even more immense when you realize that Polo School District is near maximum mill levy, anticipates no carry over of funds, and has no financial cushion built up.

The most pressing and real problem facing me, and other small school superintendents, is trying to find ways to cut. We offer 26½ units of credit—just

one-half above the required minimum. So, we are not going to be able to cut curriculum. This would leave us with activities. Here we could realize a savings of perhaps \$1500 to \$2000 by cutting all student activities. This is, of course, not terribly significant when trying to cut at least \$33,000 from our General Fund Expenditures.

The drought problem is not a new one for us. In 1976 we experienced a 13% decrease in our agricultural assessed valuation. Most patrons of my school district agree that this past summer was really the third year of the drought. It is rapidly becoming more and more evident that this school district, area farmers and ranchers, and agricultural related businesses can not survive this continued devastating drought without special consideration and help from the federal government.

It appears that a President Disaster Declaration is needed for the school district to receive any meaningful financial help. As you know Senator, this Declaration was denied South Dakota in December by President Ford. To date, President Carter has not chosen to reverse Mr. Ford's decision.

It would appear to me Senator, that this portion of current disaster legislation is badly in need of change. I would suggest that perhaps the Secretary of Health, Education, and Welfare or the Commissioner of Education, would be in a better position to fairly judge the individual situation and proclaim that there is indeed a major disaster and that the educational unit is in need of special financial consideration.

Congressman Abdnor, from South Dakota's second congressional district, recently introduced H.R. 2663 that appears to be a positive move to provide needed help for drought stricken school districts. However, I believe that the entire revision of current disaster laws would be better than "piece meal" amendment.

Above all else, new disaster legislation must attempt to keep "red tape" and unreasonable criteria to a minimum. I realize that this is not an easy task and I pledge to you any assistance which you may feel I can lend.

I would like to conclude my remarks by saying that while we are suffering from this drought we are still a fortunate people because, our disaster does not involve loss of life or immense physical suffering. However, Senator, it will involve a reduction in finance to our most precious and coveted resource in this state, the youth. And this, in the long run, might be more devastating than loss of life or immense physical suffering, for a child's mind that is not fully developed and educated to its absolute potential is a tragic, senseless, and needless loss.

Again my sincere thanks for calling this meeting.

STATEMENT BY CARLEN BELL REPRESENTING SENATOR JAMES ABOUREZK

I want to take this opportunity to thank the South Dakota Board of Education for calling this meeting in order to get a clearer picture of the needs of South Dakota Schools as the serious drought in the Midwest continues.

The mail I receive reveals the obvious—that the drought is bad, it is spreading and is having an increasingly severe impact on all aspects of our lives in South Dakota. I am convinced that those in the federal bureaucracy do not understand the total impact the drought will have on a State like South Dakota, a state whose primary industry is agriculture.

They do not realize that the effect of any serious drought spreads from the farmer and rancher who has been forced to sell his livestock, to the small businesses on main street whose sales begin to drop, to the schools where funds to educate the young people of the state begin to dry up.

This meeting has been called in order to explore the possible avenues available to make up the revenues lost due to the impact of the drought. I have directed my staff to thoroughly research every avenue for possible federal help. This is being done.

Frankly, little appears to be available through existing federal programs. It appears likely that the legislative process may be the only means which could produce really significant aid. However, with the adjournment of Congress only about two weeks away, help from this quarter is impossible before next year.

There are some provisions in existing laws which provide for federal aid to schools in major disasters. 20 U.S.C. 241-1 provides that the Commissioner of

Education may provide assistance to free public schools if certain requirements are satisfied.

The Secretary of Housing and Urban Development must make a determination that the public agency that operates the schools is located within an area which has suffered a major disaster (defined as a drought or other catastrophe which, in the determination of the President, is of sufficient severity to warrant major federal disaster assistance above and beyond federal Emergency Services being provided).

The Governors request is the first step (Pursuant to 42 U.S.C. 5122(2) and 5141), towards receiving the presidential determination that a major disaster, so severe that assistance beyond the means of the State is necessary, does in fact exist. The governor must take appropriate action under state law and direct execution of the state emergency plan. He must also certify that the state will expend a reasonable amount of funds to alleviate the loss.

The Commissioner of Education must determine that the agency that operates the schools is utilizing or will utilize all state or other financial assistance for schools, but the funds are insufficient because of the disaster. Also, the agency must need at least \$1,000 or 1/22 of the agency's operating expenditures during the fiscal year proceeding the one in which the disaster occurred, whichever is less.

As you can see, the State of South Dakota will have to insure that they are doing all they possibly can to alleviate the impact of the drought on the state's educational system, before federal assistance can be provided. This route offers little immediate hope since Governor Kneip's request that Hughes County be declared a major disaster area was turned down.

I think it is grossly unfair, but it is obviously true that victims of creeping disasters like drought are not given the same help that victims of dramatic floods or windstorm automatically receive. The laws now on the books sanction a very clear discrimination against the men and women and school age children who are affected by drought. There is no justification for this discrimination, but it is a fact.

Senator McGovern and I have already introduced major legislation to help deal with the immediate problems faced by farmers during this drought. I and my staff will be placing top priority on developing the strongest feasible legislative measures for introduction at the opening of the next session of Congress. These measures will be designed to insure that victims of drought—from farmer to businessmen to school child—will receive the same sympathetic understanding and help from their government as do the victims of flood, earthquake or any other disaster. I do not know whether such legislation can be passed. But I am certain it is fair. I know I will fight for it just as hard as I can. And I thank you for holding meetings like this one which will make the record that should prove to any fairminded observer why severe drought is every bit as devastating as any other disaster.

Finally, I want to thank you for the opportunity to have this statement presented to your association and urge you to write or call me or my office with any suggestions you have regarding Federal legislation to assist our schools.

LETTER PREPARED BY THE SUPERINTENDENT OF THE GRANT-DEUEL DISTRICT

OCTOBER 14, 1976.

Dear Staff member: An area of prime consideration to me at this time as I address my job is financing the operation of Grant-Deuel for the school years 1977-78 and 1978-79. At this point, it is very safe to say that regardless of what changes occur in taxation methods and distributions in our state very little additional revenues can be realized from local sources until late in the 1978-79 school year. Also, the property tax, as a prime source of revenue (it provides schools across the state with 74 percent of revenue) has about reached its maximum as a realistic revenue source.

At the present time all real estate across the state is being reevaluated at 100 percent of fair market value. The local assessors are charged to assess at 60 percent of said value. Taxes are then levied by the various levels of local government on this amount. This will have the effect of equalizing property taxes across the state. There have been fears voiced by many persons that taxes will increase

dramatically because of this process. Those fears however, have no real basis in fact. Increased valuations do not generate increased taxes. Inversely, increased taxes are caused by increased budgets. So much for the property tax. Let us look ahead.

The only viable source of revenue for school districts is a state income tax. It can be as simple or as complicated as the legislation which sets it up chooses to make it. One of the easiest methods—and probably the simplest from the taxpayer's standpoint—of organizing the tax form is to take a percentage of line 9, form 1040. This percentage would be progressive so as to tax little or none at the lowest income levels and to tax progressively more at higher levels.

Why is an income tax looked upon as necessary? In order to provide support for education by 1980, the following alternatives are available:

- (1) An increase of 34 in property taxes statewide.
- (2) An increase of 1½ cents in the sales tax rate.
- (3) A combination of increases in the sales and property taxes in 1 and 2.
- (4) Initiate a corporate and personal income tax in the state.

It is important to note that use of 1, 2, or 3 will result in only a temporary solution for a few years and the problem will be faced again in the 1980's.

On the local level, our problem is real and immediate. The valuation of our district is \$12,824,072. Of this amount, \$3,936,613 represents personal property. The vast majority of this valuation is agricultural related. The current sell-down of cattle is anticipated to each some 80-85 by February, 1977. Applying this estimate to the valuation with an agricultural mill levy of 23.56 could mean a reduction in revenues for 1977-78 of some \$42,400. We add to this an anticipated loss of \$7,100 on business inventories for a total loss of revenue of \$49,500. This estimate may be low but it is probably not high. Where we go to reduce our budget for 1977-78 by this amount will be the subject of intensive study and discussion during the ensuing weeks and months. We will keep you apprised of any anticipated solutions as we face them. We solicit your ideas for solutions to this difficult problem as we grapple with it.

AL HOOSER, *Superintendent.*



