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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 4, 1977—FAIRFAX AND ANKENY, IOWA

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



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GENERAL FARM AND FOOD LEGISLATION

FRIDAY, FEBRUARY 4, 1977

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Fairfax, Iowa.

The committee met, pursuant to notice, at 9 a.m., Hon. Dick Clark presiding.

Present: Senator Clark.

STATEMENT OF HON. DICK CLARK, A U.S. SENATOR FROM IOWA

Senator CLARK. In view of the fact that we have other hearings in other parts of the State today, I think we are going to start right on time. I have an opening statement so I will go right ahead with that and then we will start with the witnesses, but I know that others are going to be coming along as we go through this morning, but we have some witnesses here and we will start.

I want to welcome you to this hearing of the Senate Agriculture Committee and I want to say that I am especially happy to see people here today to discuss the 1977 farm bill.* My statement here will be fairly brief because the purpose of this hearing is to listen to local people—to get their ideas, to hear what they have to say. I think one of the problems that we have had over the years in Government is that perhaps we haven't come out and listened enough and we don't want to make that be the case today.

We are here to get ideas and to discuss farm policy. As you know, the 1973 act expires at the end of this crop year and that means that we need authority for new legislation in the agricultural area. The Senate Committee on Agricultural and Forestry has prepared a draft of the bill extending a number of farm bill authorities and modifying some others. In other words, we have already put a draft bill together. We are not, however, suggesting that we know precisely what the farm policy in the 1977 farm bill should be. We are simply using this as a kind of starting point, a basis of discussion from which we can get ideas in hearings to make changes.

The committee staff draft, let's call it, the original draft bill in which—and it's my understanding that summaries of this bill are available at the door. This draft bill will be the basis of discussion today.

We don't consider any part of the draft to be untouchable. In fact, we urge you to give us your best thinking, including criticisms

*See p. 6 for S. 203 as introduced by Senator Bellmon, and p. 28 for S. 275 as introduced by Senator Talmadge.

that you have about this proposal that's in draft form. The committee feels that hearings like these where farmers and others have a direct opportunity to communicate on things, the things that you like and things that you don't like in agricultural legislation, form a special input into the legislative process.

We plan to have three hearings in Iowa. From here we go over to the sale barn in Ankeny over by Des Moines this afternoon, and tomorrow in Sioux City at the stockyards there. Other committee members—I might say, incidentally, that this is the first hearing on the farm bill to be held anyplace in the country, but other members later in the month are going to be holding hearings in other parts of the country and, of course, in Washington also. Next week we will be going back to Washington, in fact on Monday, with the results of these hearings and with the suggestions and information that we get here today.

As you can see, we have an official court reporter here so every word is being taken down for the record and will be printed very soon for other members of the committee and made available to anyone who might wish a copy of them. If you have a statement prepared and do not have an opportunity to present it here in the 3 hours that we have set aside, it can be left at the table and will be included in the official hearing record as if given, so that every single person will have an opportunity to say anything they want to. If you will write it down and give it to us, it will go in the record.

Now, if you wish to prepare a statement, if you are sitting here today and you get an idea about some things you would like to say, just mail it to me in Washington sometime in the next 5 days and I will make sure it gets in the record as if given here at this hearing. Now, as I say, these statements will appear in the printed record as if given originally, so if for one reason or another you can't appear, just be sure you give us your statement.

Now, we will look at the results of these hearings and the hearings in other locations and then we will get to work on a farm bill and we will begin with this draft that I have discussed, but by the time we finish we hope to have a bill that has the best interests for farmers and consumers in the country as a whole, so what happens here today will have a direct bearing on the farm legislation and that's the way, I think, it ought to operate in a democratic society.

The expiring 1973 Agricultural Act provides a somewhat more flexible approach than the rather rapid rules of the previous acts. It depends more on markets to guide production and determine prices. The two major characteristics of the bill in effect today that we are considering renewing are, one, target prices and deficiency payments. Now, target prices and deficiency payments were substituted for the earlier programs of supporting prices directly. That is through the nonrecourse loan program.

The second characteristic of the legislation we are operating under today and considering expanding, the Secretary of Agriculture has given a larger measure of discretion with respect to production controls. He has the option of setting aside acreage, setting loan

rates if the supply becomes excessive. Now, since the 1973 act was passed, the act we are operating under now, world shortages of grain have kept market prices above these target prices; however, inflation has obviously increased the farmer's costs more rapidly than the formulas in the act have increased the target prices, so the farmers are not protected by the target price deficiency programs as adequately as Congress intended $3\frac{1}{2}$ years ago.

There is another dimension to our agricultural situation at this time. We are committed to export oriented, full production agriculture in a way we have not been since the 1930's. We are committed by our farmers investments in technology and machinery, and we are committed by the acreage we have brought back into production since the mid 1960's—in fact, we have increased our corn acreage by about one-third, actually about 30 percent and soybeans by about 34 percent in this period since the 1960's, in roughly the last 10 or 11 years, so we have got a lot more land in production than we had in the mid sixties.

We have seen that the benefits of a competitive export oriented agriculture can be very great, but there are also great risks. There is concern in some quarters that we might price ourselves out of our export markets by supporting prices at noncompetitive levels.

In addition, there is concern that if we continue to have weakening export demand and if we have normal weather or better over the next 2 or 3 years, our large acreages in production could very quickly place us once again in a surplus situation. If these things happen, farmers will need immediate Government help. There are several things the Government can do in that surplus situation. Let me just mention them, some which I frankly don't approve of, but they are nevertheless available. Overseas demand could be strengthened by export subsidies. Now, I happen to not think this is a very logical policy. I would rather see farmers receive subsidies than grain companies subsidized for exporting grain. Some production could be diverted into a farmer held storage reserve as Secretary Bergland has now suggested. Or, target price payments could be made in substantial amounts with loan-price support levels held low enough to permit a substantial amount of our grain to move overseas at low support prices. And, the Government could once again move to control production through acreage or marketing restrictions.

I hope these eventualities do not occur and I hope they are avoided without crop failures, but I am concerned about the arithmetic of supply and demand, concerned enough for the future to sound this warning. The staff draft we have before us contains authority to undertake all of the conventional remedies I mentioned. I welcome your reaction to the question of which way we should go in the unhappy event that our exports do decline and continued high production leads to increased pressure on domestic grain prices. The staff draft would for the first time, if we go ahead with this legislation that's been proposed, would for the first time link Federal price supports directly to farmers' costs of production of grain and cotton. Provisions of the bill would take effect for the 1978 crops of

feed grains, wheat and cotton. The target prices would be designed to cover costs of production on the acreage allotment of each farm.

In other words, the best estimate that could be made on the actual costs of production average in the United States matched against each farm's allotment. The draft also proposes nonrecourse price support loans at not less than 75 percent of the farmers' production costs. In other words, target prices at 100 percent, nonrecourse loan prices at 75 percent of that. The draft bill contains several other important divisions, too many for me to describe in detail at the outset. A food stamp section which is basically a restatement of the bill reported out of the Senate and passed a year ago but which failed to get through the House of Representatives, a modification of the existing food stamp program. This bill also extends the food for peace program with an amendment that should require the program to continue to be focused toward poor countries, but permit the program to serve less poor countries as well if the designated countries cannot use the amounts allotted to them and to increase the Nation's support for agricultural research, so there are many sections to the farm bill. We are going to be concentrating here primarily on commercial agriculture obviously.

In addition to these provisions there are at least two that are not in the draft bill which I would hope to see there. The first is a provision to strengthen our disaster payments program. During his confirmation hearing a couple weeks ago before the Agriculture Committee, Secretary Bergland called the present program on natural disasters a disaster itself, and I think that pretty well summarizes it. Drought conditions we have been experiencing here in the Midwest and elsewhere underscore the need for meaningful action in this area and I expect Secretary Bergland will have proposals on that program before Congress within the next few days or weeks, and I would especially welcome your ideas on this program, what we should do with regard to the problem of disasters.

It's been suggested, for example, that the acreage base underlying the present disaster program be modernized as a temporary measure on a current acre basis, while a single all hazard insurance program is designed and tested and implemented. Some people think that's the way we ought to go. The objective would be to have the Government share some of the risk of farming by reducing premiums below their full cost. Farmers would have their choice then of the level of protection and the premium they pay. Everybody would be available to be covered.

Now, your comments on this kind of a proposal I think would be useful to the committee as well. Now, finally, I'd hope to see a proposal to establish an effective mechanism for isolating Government grain stocks from the market. Whether we intend to do that or not will be very likely finalized sooner or later with a substantial U.S. reserve of several commodities, and that can be a severe burden if it's not isolated from our markets. The question is whether or not we can protect farmers from Government stocks. Should rules governing all stocks be written into the law whether or not the stocks now exist? How effective would rules be if any stocks

the Government had were prevented from being sold unless prices reach a very high level? Can such grain stocks be kept under the ownership of farmers and physically located on farms? How effective would such provisions be?

Secretary Bergland has discussed similar concerns and I expect he will propose changes along these lines to the Congress. Now, these topics that I have talked about this morning just by way of introduction cover an extremely broad range and I expect a number of persons will want to appear, and therefore I am asking at the outset that we limit our oral testimony to 6 minutes and to summarize your written testimony. If you have got a long statement that's 30 or 40 minutes or 60 minutes, that's great, we will put it in the minutes just as written but we will limit it to the discussion part of it, the oral presentation of it to about 6 minutes and then written testimony of any length will be submitted.

Now, if you have not done so and want to be a witness today, will you please register your attendance with the staff people at the entrance. I might say, to get there, you have to go outside and go out the door here and come in the door to the back, and there are people back there who will sign you up and get you on the program. I might say that everybody who registers for that reason will automatically get a copy of the typed testimony, the printed testimony when it's ready.

Additionally, I would like to put a statement in the record at this point prepared by Congressman Michael Blouin* discussing his ideas about what this new farm bill should do and some other ideas on world developments, so I will put that in the record at this point as well as an article written by Andy Montgomery for the Waterloo Courier which goes into this new farm bill that I have just been discussing, entitled Talmadge: Production Costs Key in Formula for Target Prices.** Now, we are going to start this morning with Dan Stadtmueller from Monticello and he is with the Iowa Corn Growers Association, and Dan, it's good to see you again and you proceed any way you think appropriate.

[S. 203 and S. 275 follow:]

*See p. 205.

**See p. 206.

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 (e) 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 (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 (e) (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 5 per centum per annum. The Secretary shall pay an
2 amount equal to 50 per centum of the storage costs
3 incurred by the producer for the storage of cotton under
4 the price support program provided for under this sub-
5 section.”.

6 (17) Section 603, as amended by paragraph (21) of
7 the first section of the Agriculture and Consumer Protec-
8 tion Act of 1973, is amended by striking out “1978” and
9 inserting in lieu thereof “1982”.

10 (18) Sections 604, 605, 606, 607, and 608, as
11 amended by paragraph (22) of the first section of the
12 Agriculture and Consumer Protection Act of 1973, are each
13 amended by striking out “1977” and inserting in lieu thereof
14 “1981”.

15 (19) Section 612, as added by paragraph (25) of the
16 first section of the Agriculture and Consumer Protection Act
17 of 1973, is amended by striking out “1977” in the amend-
18 ment made by such section to section 374 (a) of the Agri-
19 cultural Adjustment Act of 1938 and inserting in lieu
20 thereof “1981”.

21 PRICE SUPPORT FOR SOYBEANS

22 SEC. 4. Title I of the Agricultural Act of 1949 is further
23 amended by adding at the end thereof a new section as
24 follows:

25 “SEC. 108. The Secretary shall make available to pro-

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 fluc-
3 tuations 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".

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

5
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 (c) The Director shall compile, maintain, and dissemi-
2 nate information about each federally supported research
3 project and, to the maximum extent possible, information
4 about private research projects, pursuant to the system de-
5 veloped by the Operations Committee under section 804 (f)
6 (2) of this title.

7 (d) The Director shall administer the competitive
8 grants provided for in section 813 of this title.

9 FUNDING OF FOOD AND AGRICULTURAL RESEARCH

10 PROGRAMS

11 SEC. 807. It is the sense of Congress that Federal
12 funding for food and agricultural research programs should
13 equal, in any fiscal year, an amount not less than one-half
14 of 1 per centum of the total value of personal consumption
15 expenditures for food in the United States for the preceding
16 calendar year plus one-half of 1 per centum of the gross value
17 of agricultural exports from the United States for the pre-
18 ceding calendar year, as reported by the Department of
19 Commerce. Nothing herein shall prevent the President or
20 Congress from requesting or appropriating amounts greater
21 than the level specified by this section.

22 EXAMINATIONS AND RECOMMENDATIONS WITH RESPECT

23 TO APPROPRIATIONS

24 SEC. 808. (a) The Policy Council, Operations Commit-
25 tee, and Users Advisory Board shall annually examine fed-

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".

NUTRITION EDUCATION

1

2 SEC. 820. (a) The Extension Service of the Department
3 of Agriculture shall establish a national education program
4 which shall include, but not be limited to, the dissemination
5 of the results of food and human nutrition research per-
6 formed by the Agricultural Research Service and the State
7 agricultural experiment stations under the direction of the
8 Cooperative State Research Service.

9 (b) In order to enable low-income individuals and
10 families to engage in nutritionally sound food purchasing and
11 preparation practices, the expanded Federal nutrition educa-
12 tion program conducted under section 3 (d) of the Smith-
13 Lever Act, as amended (7 U.S.C. 343 (d)), shall be
14 expanded to provide for the employment and training of
15 professional and paraprofessional aides to engage in direct
16 nutrition education of enrolled families. Funds for carrying
17 out the provisions of this subsection shall be allocated to each
18 State, in an amount which bears the same ratio to the total
19 amount to be allocated as the population of the State living
20 at or below 125 per centum of the income poverty guidelines
21 prescribed by the Office of Management and Budget (ad-
22 justed pursuant to section 625 of the Economic Opportunity
23 Act of 1964, as amended (42 U.S.C. 2971d)) bears to the
24 total population of all the States living at or below 125 per

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

24 SEC. 833. The amount paid by the Federal Govern-
25 ment to any eligible institution for assistance under this
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 determ-

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,”.

ADMINISTRATION

1

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 (e) 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”.

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 CLARK. You may proceed Mr. Stadtmueller.

STATEMENT OF DAN STADTMUELLER, IOWA CORN GROWERS ASSOCIATION, ALGONA, IOWA

Mr. STADTMUELLER. Good morning, Senator Clark and members of the committee. I am appearing here on behalf of Thurman Gaskill, president of the Iowa Corn Growers Association, and all members of the Iowa Corn Growers Association. I have a prepared statement here to enter into the record and I think I will just summarize it because I am not sure whether it's going to take—how long it's going to take to read it.*

At a recent meeting of the Iowa Corn Growers Association's board of directors, we polled everyone to find out what they felt was a practical corn loan rate. That was the area we were most concerned about in this new farm bill, and our range was from at the present \$1.50 a bushel up to \$2.30, and the average came out to about \$1.90. We had very spirited discussions in this area so my statement goes on to support this level of \$1.90 basically to keep everyone in agreement in our corn growers association. The \$1.90 loan rate will accomplish the basic function of the program, yet not have the undesirable effects of too high a level, and farmers need to have this, to have a support to diminish the effects of both natural disaster and extremely low periods of marketing cycle.

One of the concerns that we really discussed in our group was setting it too high gets to be too much of a good thing for large farmers. We are all concerned about family farms. Well, smaller farms do need reasonable protection through an adequate rate, but an exceedingly high loan rate tends to accelerate expansion without risk for the big farmer.

When market risk is removed from corn production, there is also a tendency toward the inefficient use of resources. With a loan rate too close to the cost of production, farmers will tend to utilize more marginal land in the production of corn. At the same time, the more inefficient manager will also be encouraged to produce.

The Iowa Corn Growers Association believes the \$1.90 figure is low enough to prevent this from happening, yet it offers sufficient protection when needed.

Because it is so important that the loan price not serve as a floor for the grain market, we also propose that the producer remain completely liable for repayment of loans under this program. That is, there should be a provision which prohibits the farmer from simply turning over his grain in lieu of the debt. Not only will this provision reduce the cost of the program, but it is more desirable in that it supplies the necessary farm credit and yet will not adversely affect market levels through overproduction.

The basic function of the corn loan program should be to provide a greater degree of price stability through a more orderly system of marketing. At the same time, it should serve to provide the farmer

*See p. 207 for prepared statement of Mr. Stadtmueller.

with credit sources during times of unavoidable market fluctuation. But, by the design of the system, we have the opportunity to make the program effective without serving as a destructive force to grain prices. The free market functions of supply and demand must be allowed to operate. The Iowa Corn Growers Association urges that a corn level of \$1.90 be adopted.

Senator CLARK. Good, just a couple of questions. I notice that you didn't say anything or at least I didn't catch it, Dan, what your view on the target price, you are talking about the loan rate here exclusively, aren't you?

Mr. STADTMUELLER. Yes.

Senator CLARK. What do you think of the idea of the target price system? Would you rather see us drop that and go to loan rates and nothing else, or would you like to see the target price system maintained with the loan rates?

Mr. STADTMUELLER. It's our feeling from the corn growers association that we go with the loan price and not have the target price system.

Senator CLARK. Do you know why they felt that way, offhand?

Mr. STADTMUELLER. Well, I don't know. Our discussions have just been with this loan price system. Now, with the target price system, it's based on the allotments you talked about and, in my own farming operation, why, I have 735 acres of corn and I believe my allotment is only 230 or it's about 30 percent of actually what corn I raise, so even if we got into these disaster things or payment things, I would have to have a very small corn crop or a terrible disaster before I would qualify for any payment.

Senator CLARK. I see. Now, I am trying to think of what percentage in the country, and maybe Bill can help me here, whether your situation is typical in that regard.

Mr. STADTMUELLER. Well, in my county, it's about 36 percent tillable acres, the corn allotment.

Senator CLARK. And what percentage of the tillable acres would normally be planted to corn, do you think?

Mr. STADTMUELLER. I am not sure in our county, but it's quite a bit more.

Senator CLARK. I am trying to think of what the national allotment was, 89 million? That bears you out, Iowa overplanted the allotment by 136 percent, so that's a lot. But you know, I bring this up with you as the first witness because it's going to be a part of the discussion here all day, I expect. One of the real problems we have got is to try to decide whether to stay with this target price system we have got, which is a guaranteed price, or whether to do away with that and go entirely to a loan or go to both.

Now, this draft proposal we have got, we keep both but we set the target price at the best estimate that we could get at the cost of production, and statistically they came up with a figure of \$2.28 and we will talk about that as we go along, how that was arrived at and so forth, but the loan rate then would be \$1.71 or 75 percent of the target price. Now, that would be 19 cents less than you are recommending. You are recommending \$1.90?

Mr. STADTMUELLER. Yes.

Senator CLARK. But you see, the one advantage to the target price system, if you can make it work, is that you don't obtain the product—I mean, if prices go down significantly, at least the Government doesn't get enormous surpluses and the corn moves out as it normally would. What's your reaction to that?

Mr. STADTMUELLER. In our proposal, we call for a loan in which the farmer would have to take the loan back.

Senator CLARK. Yes.

Mr. STADTMUELLER. In fact, we talked about having the loan to be for a 3- to 5-year period and some of the earlier proposals were to even have the interest rate on this loan vary according to how much corn was in surplus, so in fact the whole country, the interest rate would be low and if the amount were small, it would be high to encourage the farmer to put the corn on the market and this way the farmer could keep it, though, in his hands at this low interest rate if there was a huge amount in surplus.

Senator CLARK. OK. Well, that's something we will keep talking about here as we go along. I appreciate your views on it because the Iowa Corn Growers Association is as interested in this problem as anybody in the world.

Mr. STADTMUELLER. Yes.

Senator CLARK. And I hope if you get ideas in additional meetings, you will send them to us because we will be writing the bill for the next 2 months, hold all the hearings and have discussions, so don't be hesitant to give us what information you have.

Mr. STADTMUELLER. Yes, we will keep in touch with you. Thank you very much.

Senator CLARK. Thank you very much. Now, we will have Willis Hansen from Vinton, and I guess we are going to have to shuffle in and out and use that microphone, OK?

STATEMENT OF WILLIS HANSEN, VINTON, IOWA

Mr. HANSEN. It's a pleasure to be here and appear before this committee. I do not represent any given organization. I am a self-appointed spokesman, I feel, for many average farmers who I visit with and I believe that I have some sort of a consensus of their feeling. The comments that I wish to make in preface to my proposal would be that the agricultural community has become dependent upon foreign sales for its very existence, and at the same time the United States has become dependent upon foreign energy for its existence. The name of the game has become balance of trade. Foreign energy is priced by the producing nation at the wellhead. It seems to me that our farm products also should be priced at the wellhead or at the farmers' gate. Both food and energy are sources of new income. It seems to me that it is in our best interest that our new income be priced by ourselves, making our total economy much more viable and allowing us to maintain a plus position in the balance of trade.

With that brief basis, I would like to move to stabilizing prices and summarize what I have prepared here.*

*See p. 208 for the prepared statement of Mr. Hansen.

Senator CLARK. Willis, I am going to ask you to hold it just a little closer. I see people in the back straining a little.

Mr. HANSEN. All right, I will work at it. Prices of feed grain should be supported as near to cost of production as possible, land costs included. Soybeans should be supported in the same manner. I favor commodity credit corporation price support nonrecourse loans.

I do not favor loan rates in conjunction with target prices. Target prices set higher than loan rates would tend to build in a position of low domestic prices with the world demand price at or near target price and the American taxpayer making up the difference. This in reality means the American taxpayer would be subsidizing the world market by making a direct payment to the farmer out of tax funds that cannot be recouped in any way. The American farmer would much prefer to take a loan, delaying marketing, creating world demand, establishing world price, paying his bills in the interest of the economy, maintaining adequate domestic stocks, repaying his loan with interest, making a profit and not costing the American taxpayer a cent. A resale program would need to be authorized to maintain a reasonable reserve and to be increased in times of exceptional production resulting in surplus supplies over current needs plus a reasonable reserve while some adjustment was made temporarily in production.

The price support program could operate from a revolving fund. This fund could be established once and nearly maintain itself if we would change our system of bookkeeping and show loans repaid rather than considering loans as losses to CCC with repayments going directly to the Treasury. The only real cost to the taxpayer would be the storage payment under the resale program that would be created to guarantee adequate stocks to remove the fear of shortage.

I feel the \$1.71 per bushel rate for corn is too low. The figure of \$2.28 suggested as the target price would be about right for the 1977 crop year. The cost used to establish the loan rate must be based on a per-acre cost of production including land cost. The real land cost must be used in the interest of preserving the family farm and preserving the family farm is in the interest of the American public. The cost of using commodities for food programs would be at the expense of the taxpayer with purchases made on the market or credited at the market price for any CCC stocks. CCC should not acquire stocks except in unusual circumstances and if they do the commodity should not come into the market until market prices warrant. A production adjustment program might be needed temporarily if the unpredictable crops should overwhelm the market.

The cost of a target price to the taxpayer based either on a national allotment or on planted acreage could be tremendous. For example: 1977 allotment for all feed grains—incidentally, it was 89 million acres and we overplanted that by about 30 percent, somewhere around 112 million acres.

Senator CLARK. These are national figures, 30 percent over the allotment?

Mr. HANSEN. Right, 112 million of corn, grain, sorghum, and barley, according to the report.

Senator CLARK. Good.

Mr. HANSEN. If you put the 50 cent differential between the \$1.80 loan rate and \$2.28 target price, that's 50 cents. Placing an average yield set for each farm of 80 bushel, you take the 89 million acre allotment times 80 bushel times 50 cents and you have \$3,560 million.

Senator CLARK. Yes.

Mr. HANSEN. The same crop protected by loan would be repaid with the loan rate high enough to cover that differential and would not have cost taxpayers anything. Have I got time to touch the disaster program?

Senator CLARK. Yes; please do.

Mr. HANSEN. He can reset that thing, can't he?

Senator CLARK. Go ahead, take a little time on it.

Mr. HANSEN. The program for disaster protection, regardless of content, must be administered wholly through the County ASCS committee system. The county committee with assistance from the community committeemen know local conditions and individual operations and thus can fairly and equitably administer regulations. Regulations should also be reviewed by representative committeemen for reasonableness before publication.

The disaster program as administered in 1976 under the act of 1973 is laden with inequities and provisions that shake the faith of a producer in his Government. The allotment set for the program is set so low as to be unrealistic when compared to the acreage the producer is encouraged to plant. Eighty-nine million acres for all feed grains covers 79 percent of the planted acreage by statistics but in the particular county the percentage drops and in individual cases per farm the coverage is even worse due to allotments being 70 percent of the old base established from 1959 to 1960 history and the change in operations since that time. In Benton County the average farm has 35 percent of its cropland covered by allotment for disaster payment. This day and age that figure is totally inadequate. The established yield is pretty close. The two-thirds factored for coverage ends up covering 0.5451 of the set yield for establishing eligibility. That figure is totally inadequate. The concept of establishing eligibility on two-thirds and payment on actual difference between production and allotment extended times farm yield creates an equity that is hard to explain, if not impossible.

I have cited some examples and, very briefly, we can have a producer who plants within his allotment, as was prescribed under the 1973 program, he can produce 1 bushel too much corn and cost himself about \$6,000, or heaven only knows how much.

Senator CLARK. That's right.

Mr. HANSEN. I have these figures in the record and it gets a little cumbersome.

Senator CLARK. No; I get your point though, that's exactly right.

Mr. HANSEN. But, we have had producers that, on the basis of 1 bushel, which gets completely asinine, they lose a payment. Now, after you establish the eligibility, you get back up—well, not clear back up because the allotments aren't that big—but the allotment times his yield to determine his payment, subtracting away what he

produced, but to determine what he is eligible for so most of our producers have to have less than half a crop to qualify, is almost impossible to comprehend.

Senator CLARK. OK; can I ask you a couple questions, Willis?

Mr. HANSEN. Sure.

Senator CLARK. You, like the previous witness, believe we ought to go to a loan system and forget the target price system, guaranteed price and so forth. There are two questions about it, and one you mentioned, you had hoped the CCC would not build very many stocks, but how do you avoid building enormous stocks if you set the loan rate at a certain rate and the market price falls below it? Isn't the Government, of necessity, going to take on millions of tons of surplus?

Mr. HANSEN. That's very possible. That's a problem we have to consider, however under the 1973 law the Secretary was to establish an allotment for the country that was to produce an adequate supply for domestic use and for export.

Senator CLARK. Right.

Mr. HANSEN. And for the building of stocks, a desirable level or something it's referred to.

Senator CLARK. Yes.

Mr. HANSEN. Nobody put a bushel figure on that. Any consumer that I talked to, and I realize that we all want to consider the consumer as our customer and get along with them fine, but I have not heard a figure of what they feel to be adequate. The only thing they want to be is not short. They want to have plenty. The target scares me a little in two ways. In the sixties, we had a livestock feed program that had some freight rates subsidized and grain went from stocks in the midwest to other parts of the country in the livestock feed programs that made competition pretty tough for livestock feeders in this area to compete with them in other areas.

Senator CLARK. Cheaper feed then?

Mr. HANSEN. Of course.

Senator CLARK. Now, frankly, I am not wedded to either idea. I want to try to listen to the arguments for the next couple of months because the target price system seemed to make a lot of sense 3 years ago, but in fact we never used it because it's the law, the market price always stayed above the target price so we never had experience with it. But two things bother me with a high loan rate as opposed to a target price basis, and one is the one I just talked about, a loan rate at \$2.40 next year and the price goes to \$2.30 or \$2.10, then wouldn't we begin to build enormous stocks? Isn't there a fairly good chance that if we have loan rates that say \$2.40, if the world market goes any below that, then we just can't sell any corn at all, can we, or very little I would say overseas?

Mr. HANSEN. I may be a little facetious on this, but we really could save the mathematicians in the common market a great deal of work.

Senator CLARK. How is that?

Mr. HANSEN. They add a tariff to our corn crop coming in over there, they are protecting their farmers. If we protected our farmers

a little bit, we would save them some work in protecting theirs. I don't want to make this sound like war.

Senator CLARK. I am not sure I understand.

Mr. HANSEN. When American grain goes into the European markets, there is a tariff placed on that grain.

Senator CLARK. Yes, right.

Mr. HANSEN. That is designed to protect their farmers, and while we work with their dried milk situation and all of these others, I think that my own feeling is that if we go to a lower loan rate and target price or even a loan rate, all we are really doing is mining our soil, subsidizing the rest of the world with it and the American farmer doesn't even get a depletion allowance.

Senator CLARK. Right.

Mr. HANSEN. For mining his soil to buy somebody's oil, and that's the game we're in.

Senator CLARK. OK; thank you very much. We are going to hear next from Fred Bauman from Keosauqua. Fred is a farmer down by Keosauqua.

Go right ahead. I might say that if you have extra copies and so forth, you might just leave them here at the table if the press or others want copies, we can do that.

STATEMENT OF FRED BAUMAN, KEOSAUQUA, IOWA

Mr. BAUMAN. Mr. Chairman, members of the committee, my own viewpoints and observations in regard to farm programs are as follows:

Beginning with the first Agricultural Adjustment Act, there was a great need to solve the related problems.

Corrections and amendments took care of most of the national, State, county, and individual problems.

A certain degree of control has always been a necessity for anything to function or be guided properly. For those who chose not to cooperate or participate, that was their privilege. It was permitted at a cost paid to others to adjust permitted production.

The degree of stability and growth, in my opinion, was acceptable and met most requirements through several wartime periods and adjustments, both worldwide and nationally.

The recent roller coaster prosperity and inflation has created problems just beginning to show. Doubling and tripling of taxes, cost of production, marketing, and many others, including interest payments on investment debt losses, trying to produce and expand. Health care costs and many, many others.

Cost of government and salaries has grown constantly plus cost of living increases, et cetera.

I know the hope and goal of most everyone is to prosper and meet their obligations. It would appear in a planned economy that the farmer is asked to maybe accept 75 percent of his cost of production, while a growth rate of 3 or 4 percent plus cost of living and benefits is being built in for others. If there is not a degree of prosperity to the farmer all others are affected adversely.

All the past and recent farm programs depended on Congress to budget funds that they could function on their own budgets to serve their purposes.

I feel that if Commodity Credit Corporation could have benefited from the sale of our grain surpluses, rather than accepting all costs of storage, interest on money invested, reduced freight rates to the grain companies plus problems of grading and quality of grain delivered to our export outlets; all of these problems must be corrected, provided for, and faith in our products restored or only by gift to prevent starvation would most accept our surpluses. The profit from their disposal could have reimbursed our Government rather than the grain trade.

We as farmers had to pay storage, interest, loss of grade, and accept the grade given us.

The organization is there through the farmer-elected committees, the joining together in our goals with consumer groups and all concerned.

Your own attention and participation in hearing such as this one should improve the results of any legislation enacted. Again the budget allowed and approved appears to be the key.

Our conservation needs are great. Most of our cropland is plowed up. At a meeting planned by James Hawkins, chairman of Geode Wonderland, and Pathfinders Conservation and Development Associations no-till farm meeting held at Mount Pleasant, Iowa, recently, this statement was made:

A seasonal thirty inch rain is the equivalent of fifteen to sixteen tons of energy released on every acre of land. In the 200 year history of our nation the top-soil has decreased from an average three feet in depth to a mere six inches. At the current rate of loss top-soil will be exhausted during the next two generations unless the trend is reversed. If we fail to reverse the trend we will perish.

Again, the money appropriated for the programs conservation and administration will necessarily need to be increased. The present program has been accepted and is there for adjustment to meet the needs of all concerned citizens of the United States plus foreign aid and best interests of all concerned.

There is need to adjust allotment for base acreages to feed grains to a percentage of cropland rather than on a history basis.

In Van Buren County, allotted acreage to feed grain is approximately 40 percent of cropland. Recently, much of the total acreage is planted to corn, sometimes 100 percent. Target and loan prices appear to be receiving adequate attention.

Federal crop insurance should be available to all if needed or wanted. Again, budgeting appears to have control. Disaster payments and price support applies only to present allotments. Many have no coverage on total acres planted, although a loan may be made on all produced. Provisions should be made for extending loans and storage payments after 1 year on the farm as needed.

So much is involved that all interests must be served, farmers on local level and everyone concerned. A stable and prosperous agriculture would solve many of our present day fears and problems. Thank you.

Senator CLARK. Thank you very much, Fred. I was particularly interested in your emphasis on conservation which is something we have been trying to pay some attention to, and I know that's of greater significance probably in Van Buren County than the average county in Iowa because of the rolling land and so forth. What do you think of the existing programs? Do you think we ought to do something differently? Are we encouraging farmers enough in terms of cost share programs? Do you have any ideas about that at all?

Mr. BAUMAN. We have the need there for much, much, much more money than has been available. I doubt very much that there would probably be half as much conservation undertaken if it weren't for Federal aid. In Iowa, we do have the State mining conservation law.

Senator CLARK. Yes.

Mr. BAUMAN. It all certainly helps and if the farmer prospers by increasing grain prices and has extra money, he will do extra conservation work if he has the funds. Even if he doesn't, 50 percent is impossible on his own.

Senator CLARK. The statistics we were looking at last year showed that in Iowa it still takes 2 bushels of topsoil to produce 1 bushel of corn. The conservation is still in that kind of a condition. We are still using significantly more than we are gaining, even with the conservation practices that have been in effect for 30 or 40 years so we have got a long way to go. Thank you very much.

Mr. BAUMAN. Thank you.

Senator CLARK. Now we have Mr. Dale Strother from here in Linn County, Mount Vernon, rural route 1, and Dale, we are pleased to have you here.

STATEMENT OF DALE STROTHER, REPRESENTING THE LINN COUNTY FARM BUREAU, MOUNT VERNON, IOWA

Mr. STROTHER. Thank you, Senator. I am Dale Strother, presently grain farming 300 acres and currently president of the Linn County Farm Bureau. Senator Clark, I would like to present to you some new, exciting and innovative ideas, but it's hard to speak to this subject without being repetitious. All we can do here is restate and emphasize a few basic concerns and concepts. Most farmers now recognize that off-farm activities affect our wellbeing as much as anything we do on our own individual farms, therefore, we have a great interest in the contents of a new comprehensive farm and food act or if the present bill were extended while it will be implemented or amended.

As Congress considers new farm legislation in 1977, we hope you will seek to retain those features of agricultural policy which have worked and worked well, keeping in mind some failures can be attributed to artificial restraints either by bureaucracy, boycott, embargo, or the national policy which implies that food and fiber capabilities and resources must be regulated from producer to user.

The present farm act of 1973 has many redeeming features, probably the most important being that while Government loan rates

and target prices on feed grains and wheat have been low when compared to the cost of production, the market-guided system has been allowed to work. Artificially inflated loan rates and target prices supported by the Government could again limit agricultural exports by pricing our farm products out of the world market, encouraging overproduction, and leading to legislation for Government ownership of commodities which have never been wholly isolated from being depressant on the market.

Past history should serve us well to lead us away from overlegislating for farm stability which is not necessarily prosperity.

Probably in this area we should not confuse the problems of farm drought, distress areas with general farm prosperity. Farm programs designed to promote a reasonable price level for the average farmer can in no way help a farmer with no crops to price. For points of reference, we ask that you consider some of the possible negative aspects of the bill presented to the committee by Senator Talmadge as chairman of the Agriculture, Nutrition, and Forestry Committee.

No. 1, target and loan levels based on cost of production cannot realistically be projected with our present inflationary economy and volatile energy situation which may have a disproportionate effect upon our major cost inputs.

No. 2, regardless of the amount of net guaranteed prices and rates, any guarantee has a tendency to encourage overproduction.

No. 3, again, administration of this program is tied to farm acreage allotments with their historical inequities. In summation to the committee, I believe a minimal amount of Government in agriculture does allow the most response to market-guided supply and demand. Thank you, Senator.

Senator CLARK. Thank you very much, Dale. You are speaking for the Linn County Farm Bureau or the State Farm Bureau?

Mr. STROTHER. The Linn County Farm Bureau.

Senator CLARK. Just two questions—One: Is it the position of the Linn County Farm Bureau that we ought to continue the target price system and loan rate system or would you prefer to see some other approach?

Mr. STROTHER. As I have mentioned before, it has worked primarily because the rates have been kept down where we haven't priced ourselves out of the world market. We have been able to use it or keep it in the channels and keep it moving to prevent the buildup of oversupply. Sure, we would like to have more money per bushel. It's a close economic fight now to keep your head above the water with the present prices as they are today, but if you raise the loan rates, what are you going to do with the grains, feed grains and wheat if you have to take target prices and nonrecourse loans and end up with the Government ending up in control?

Senator CLARK. I wasn't speaking so much for the moment of the level, how high to put the prices and so forth which is an important question, but rather whether we ought to have that system at all, whether we ought to keep a target price system at some level or a nonrecourse loan system at some level, or would you prefer not to have those or some other approach?

Mr. STROTHER. Basically, we have learned to live with these loan levels and since they have been low, it's allowed the market to work. Originally, as you probably know, Farm Bureau policy, we weren't for the programs in the 1973 Farm Act, but we have learned to live with it because it has worked. The Secretary of Agriculture sets loan rates, as I understand it; is that not right?

Senator CLARK. Yes.

Mr. STROTHER. Yes, and—

Senator CLARK. So I hear you saying, Dale, that you, your organization would prefer to keep the target price system and the non-recourse loan system as long as the rates are kept, the loan rates and the target prices are kept low?

Mr. STROTHER. Yes.

Senator CLARK. OK, that's what I wondered. OK, thank you very much.

Mr. STROTHER. Thank you, Senator.

Senator CLARK. The next is Bill Zenishek representing the National Organization for Raw Materials, Inc.

STATEMENT OF W. J. ZENISHEK, REPRESENTING THE NATIONAL ORGANIZATION FOR RAW MATERIALS, INC., SOLON, IOWA

Mr. ZENISHEK. Senator Clark, it's a pleasure to be here today and I haven't any prepared text. I am going to more or less shoot off the cuff.

Senator CLARK. Fine.

Mr. ZENISHEK. Before I get into the meat of our proposal here, as you see, I have a copy of the recent report that was sent out to rural America here.

Senator CLARK. Right.

Mr. ZENISHEK. And I made a few comments on here that I would like to briefly hit on before I get into the meat of our proposal that I want to discuss here now.

Senator CLARK. Good.

Mr. ZENISHEK. Now, over the news here recently, as we all know, we are having this energy crisis, and over the news here a couple of days ago the gas producers stated that they can't and they won't produce gas at a loss, otherwise they have got to have the cost of production plus a profit. Now, this, in reality, makes sense because I don't care whether a person is in the shoestring business or selling bananas, he has to have his cost of production plus a profit or else he is not going to be in business; right?

Senator CLARK. Right.

Mr. ZENISHEK. Absolutely, so therefore it's no different to expect farmers not to be able to achieve the same results and, as we know, the past few years, several years here, this has not been the case because I, for example, have been in the cattle business for years and the last several years I can be very frank that I haven't made a darned cent. In fact, I have been going backward.

Now, I have got to the point where I just don't know how much further I can go on here because there is a limit to what you can stand and I don't think this is right because it seems like our Gov-

ernment has adopted a cheap food policy to the consumer. Now, it's good and well for our consumers to have food at their disposal at a reasonable price. I mean, I don't think that we should be gouging them one bit because when you stop and think, farmers are as good to consumers as the next person.

They go to the grocery store just as well, too, and they are quite concerned about this same thing but, by the same token, as I said earlier, we have got to have our cost of production plus profit in order to stay in business.

Now, one of the things we feel is the fact that all true wealth of the Nation, no matter what country it might be, has to come from the ground otherwise it can't be manufactured. It got to be produced and, therefore, the wealth of any nation is through production times price plus profit and it's certainly not through today's monetarization of debt. This has taken place since 1950.

Now, we all know sitting right in this room today we have piled debt upon debt, upon debt, where we wonder if it's possible to ever get out. Now, I question sometimes whether it is; however, I think if we take a 180 degree turn and use some good sound principles, this is very possible and we can get rid of this pumping this money into the economy through the printing presses which I think is really not called for if commonsense was administered here.

All right, farmers have tried organization but have failed in many instances, the farm bureau, NFO, farmers union, and so forth, so we feel the right step here is through legislation.

Labor has legislation, industry has legislation, so therefore we feel that it is not a bit out of line to have agriculture with a right to legislation. Now, I am going to comment just briefly on some of the topics that you have in your report here, Senator Clark, and these are my own opinions.

Senator CLARK. Good.

Mr. ZENISHEK. I don't want them to reflect on anyone else's or anything of this type, but in our target price you have cost of production. Now, cost of production is not going to keep a farmer in business. I mean, he can produce corn until it comes out of his ears on the cost of production, but he is going to go broke if he can't realize a profit so therefore I am not too real hep on this target price situation; however, with our proposal here we don't feel we even need target prices. I will get into that.

Senator CLARK. Good.

Mr. ZENISHEK. Briefly here, OK, you got here prospects increased for improving soil conservation program, and I think this is one step that we have got to take a tremendous look into because, when you stop and figure our most vital assets we own in this world is our land, and if we don't start taking some severe steps in preserving this, we as a nation are going to just go down the tube.

Now, it is my own opinion that we are ruining our soil with the use of chemicals. Now, as I said, these are my own opinions, they do not reflect anyone else's opinions. I have used chemicals many, many years. Cancer is on the increase. In fact, I heard over the radio just the other day more Iowans died from cancer this year than ever

before. Now, I fell victim to this disease last November for which I had an operation, and I am hopefully getting along pretty good. Whether it was because of chemicals or not, I cannot say, but I do believe that there is some correlation there in respect to this disease through the chemicals we are using because there isn't a farmer in here today that won't pick up a can and it scares the devil out of him because it says beware, do not get in contact with the eyes, with the skin, do not do this, do not do that, bury the container when you are done, and it scares the hell out of one.

I have seen a much better fertility in my soil. I raise a lot of livestock and I can truthfully say my vets bills have gone down from \$5,000 a year in some instances and I have a neighbor sitting here in the audience to verify this because I have had problems with livestock. I have lost as high as 40 calves from scours in 1 year, and I don't attribute this to all bad management because I have done I think a fairly good job along this line, but since I quit using chemicals, I can truthfully say I have seen a great difference in the vets bills which are now practically nil, 144 calves out of 150 cows so it's proving to myself that there is something to this.

Senator CLARK. Let me say that the bell rang here, but I know you have a proposal to make so if you can do that now——

Mr. ZENISHEK. OK, I am going to get into this now, and we have one more comment on this.

Senator CLARK. Go right ahead.

Mr. ZENISHEK. In Omaha, Nebr., the 14th, 15th, and 16th of January, The National Organization for Raw Materials held their annual meeting. There was a proposal adopted there that I am going to leave with you, Senator Clark, for your review.

Senator CLARK. Good.

Mr. ZENISHEK. And for you to comment on, and it's called the National Economic Stability Act of 1977. Now, I am going to hit on three topics here that basically this involves. First, it involves legislation; legislation that requires cost of production plus the profit on all raw materials production. Now, this has to be tied in with minimum wage as we have not had surpluses so much in the past as many people have been led to believe but we have had situations where people haven't had the money to buy this production because of the minimum wage laws being too low and so on and so forth.

Senator CLARK. You are talking about a guaranteed cost of production plus——

Mr. ZENISHEK. It's going to be based, and of course as I said, it's a rough draft and requires a lot of study and I might add before I get into more of it that we are sending our president, who is Arnold E. Paulson from Granite Falls, Minn. to Washington, D.C. He is establishing an office there. He is going to be working through Congressman Dent whom I am sure you well know and he is going to refer Arnold to people such as yourself and, hopefully, you will find the time to listen to Arnold and see what he has to offer and everything of this type, otherwise it's going to be a tough job; no question about it.

But anyhow, I am going to touch just briefly on what it involves is this legislation involving cost of production plus a profit on all raw materials, production tied in with a minimum wage law and also tied in with equity of trade or honesty of trade.

Now, this has been one of our downfalls in trading with some of the Third World countries. There has been advantages taken of some of these countries. For example, if you and I were to trade, Senator Clark, and I was to take a 10 percent advantage of you, in 10 trades I would have you broke is how it works. We have to trade honestly, equitably.

In other words, what I pay you, I have to pay you an honest price in return and this is of course what this is tied into. Now, one comment I wanted to make here, getting back to this sheet here, a Federal probe is underway into pricing at the Minneapolis exchange. Now, I think that is something that needs looking into and, just to briefly point out what we have on that, all farm commodities and other raw materials sold on the board of trade or through the grain exchange or other channels must have a marketing certificate to establish actual ownership of the number of units of that commodity bought and sold.

This provision is for the purpose of prohibiting traders from buying, selling, and speculating with commodities or materials they do not own, control, or that might be existent. Actual ownership of commodity must be established through use of certificates in order to control the trade and the raw materials market.

Now, I think I spoke to you once on this at the Knights of Columbus Hall in Iowa City where I felt as though there was big ripoffs being taken advantage of in this commodity because of the fact there are many, many people that are daily speculating in it that don't know what a bushel of corn looks like, never owned a bushel of corn in their life. Now, this would keep them devils out of there because if they do not own this corn or have a certificate showing they do own this corn, they are not allowed to even enter into any contracts through the board of exchange. Now, this is just one, and I know I could take up so much more of your time.

Senator CLARK. Well, we can make the entire statement a part of the record. Now, your last idea is very well worth considering. It's the first thing after being elected to the Senate we started looking very carefully at the problem of the commodity exchange. In fact, I authored legislation that has become law to establish a Commodity Exchange Commission to try to go into this in much greater detail in regulation of these commodity exchanges because, obviously, it's almost an entirely speculative business. Although that Commission has been in business a little over a year, it's awfully early to say how successful it's been. In fact, we have asked the General Accounting Office to try and give us an assessment in the next few days of how successful it's been or the lack of success in changes, so I will be happy to look at that proposal in that light and we thank you very much for that.

Mr. ZENISHEK. I think you will find this quite interesting and Arnold Paulson will no doubt be in contact with you and we would

appreciate very much if you would give him some of your precious time to have him explain it in detail further.

Senator CLARK. Fine, thank you very much. Now, we have Dale Rickert.

**STATEMENT OF DALE RICKERT, AGRICULTURE INSTRUCTOR,
MUSCATINE COMMUNITY COLLEGE, MUSCATINE, IOWA**

Mr. RICKERT. Well, actually you know pretty well what I do, that I do work with veteran agricultural students and we have also had Mr. Wegmuller there on a few occasions. When the men found out that I was coming up here today—and incidentally, the weather didn't—

Senator CLARK. I guess you could get the mike a little closer, Dale.

Mr. RICKERT. Well, anyway, I asked the men what were some of their concerns that they'd like me to bring to your attention, and some of them would have come had the weather cooperated, but I had a couple of phone calls this morning between 5:30 and 6 so they aren't here, but generally when we have discussed these things and when we discuss them, they say that the commodity groups seem to usually get their thinking better than any other groups. I am speaking specifically of the corn growers association, the soybean growers association, consistently they do—and the pork producers—pretty well do a good job of pointing out the concerns of these young men that I do deal with all the time.

Senator CLARK. Now, these are veterans?

Mr. RICKERT. They are all farming.

Senator CLARK. Agricultural programs?

Mr. RICKERT. Right.

Senator CLARK. At the Muscatine Community College?

Mr. RICKERT. Right, and so another thing that they concerned themselves with, they are worried about a bill that would be written that would encourage overproduction and then the Government ending up with too much control of these surpluses and using it as—instead of the thing that it could be used for—it's something that we should be glad to have a surplus, but instead, it being used against the farmer. They show some concern. They think that this new grain inspection is good, but they are concerned about some of the fees for inspection are going to be too high.

Senator CLARK. We had a hearing on that yesterday in Washington, right.

Mr. RICKERT. Then they wanted to know, one of the things, if it's possible that if these—well, their young sons, when they start farming, if they could have the same type of financial aid that another man would have or lady would have if she would go, if she goes to college. We have these student loans, forgiveness type of things and they wonder if we could start something similar to that for these young people to get them started in farming and then, in the same regard, they are especially concerned since the Des Moines Register last Sunday carried an article concerning \$50 million Continental Bank and Merrill-Lynch are going to spend in Iowa to buy in on land.

They are worried about how they and their children are going to be able to compete in the purchase of this land and one of the thoughts that they had, and this would probably be State legislation, but they thought perhaps something similar to progressive property tax where the more property you have, the larger the tax is. Enabling legislation in this line perhaps might be needed on a Federal level and certainly innovative thinking is needed to try to make, to keep the family farm going because we recognize the larger you are, the more efficient you can get and you are going to have a few inefficiencies if you are going—if you are going to maintain these smaller farms, and I am not talking of the 160 acres, I am talking of the 300-acre-farm is probably now about a family farm. That's all I have, Senator.

Senator CLARK. Good. Well, we appreciate it very much, Dale. Let me just ask you before you leave if you have heard any discussion in your group, and I remember you had lively discussions down there, about whether or not we ought to keep the target price system that we have got now or go to a loan system. Have you had any discussion on that?

Mr. RICKERT. Well, we have, but I suppose that I have to confess that I have never been able to explain it to them well enough so that they really know what the target price is. They are really the nuts and bolts of it as a loan system and I guess that they can understand that, and the target system is kind of an ambiguous thing and so they aren't that strong for it.

Senator CLARK. Fine. Well, let me just take two things you brought up in your statement, one is that there is a lot of discussion about the new grain inspection law, as you suggest, in terms of fees charged and recordkeeping and I think some of it is very justified. We had a hearing yesterday in Washington. In fact, I noticed it was reported in the morning paper and we have now I think got a pretty good handle on some of the problems with it. I think basically it's a good law and we have introduced legislation, the entire Agriculture Committee, which is now supported by Secretary Bergland and I think we will get it passed which I think will offset the problems that occur.

The other thing that I wanted to mention is that we are discussing holding hearings with another committee of the Senate now on this Merrill-Lynch proposal to buy large blocks of land. Frankly, that concerns us, too, and we want to look into it and find out what it means. Thank you very much.

Mr. RICKERT. Yes; I recognize that isn't part of this, incorporated with it.

Senator CLARK. Not in the farm bill, but it's very closely related to the whole problem.

Mr. RICKERT. Thank you very much.

Senator CLARK. Our next witness is Del Wilson of Springville. Del, you proceed in any way you think appropriate.

STATEMENT OF DEL WILSON, SPRINGFIELD, IOWA

Mr. WILSON. Thank you, Senator Clark, first of all for having these yearly meetings. We didn't always have them. I will scan through my papers and bring out the most I can.

The years 1974-76 have been three of our most fruitful to accumulate economic knowledge. Since the lowest comparative prices for agriculture products in 40 years have resulted from these years of so-called farmer freedom, with low target and lean prices, we must conclude the system has failed. We can lay to rest, once and for all, these false assumptions:

With freedom to plant, farmers net income will rise. False! Farmers net income has dropped in the last few years by an unprecedented \$913 billion, and farm prices are now less, comparatively speaking, than in the 40's, 50's, or the 1960's.

Government grain stocks hold down prices. False! With no Government stocks whatsoever, farmers comparative prices are the lowest in 40 years.

With freedom to plant, farmers will remove from production the non-profit items. False! We have a surplus of wheat and corn and farmers have no choice but to add to the surplus. What else could they do, there are few alternatives to standard crops in a given State or area, and most alternatives are also underpriced.

With lower prices, farmers will remove land from production and plant less. False! In 1977 they plan a million or more increase. With much of it in marginal land, subject to water and wind erosion.

As a farmer, what do I want in a farm program?

1. CONSERVATION

A strong, helpful, energetic program with the planned result of retaining soil for future generations. A soil loss exceeding 5 million tons to produce 1 million tons of grain for Soviet Russia is false economy.

2. RESERVES

We need a planned surplus, or reserve equal to any requirement of a potential drought or disaster. Our city friends deserve this reserve. The world requires it. It should be stabilized by price supports equal to cost of production, and maintained by farmers and the Department of Agriculture.

3. LOAN PRICES

Equal to cost of production, reviewed monthly for adjustments not exceeding 2 percent, after the initial adjustment.

4. FOREIGN SALES

These should be transacted by a division of the Department of Agriculture. We should be cooperating with Canada, Brazil, Argentina, Australia, et cetera on foreign sales. At present Russia and the large grain companies are using each country's products against another to depress prices for all.

5. FEDERAL CROP INSURANCE

This should be expanded and adjusted to meet present requirements.

6. SOIL BANK

If necessary, an equal percentage from every farm, voluntarily, placed in soil conserving locations.

I further recommend corrections of the following laws to enable a young farmer to fairly and equitably compete with the large wealthy farmer or corporation. In each case the law can be easily adjusted within itself.

One: An immediate increase in loan rates. The wild fluctuations and speculation should be reduced and replaced with stability.

Two: The personal exemption of \$750 has an entirely different meaning to a small beginning farmer and a wealthy farmer or individual. As an example, it may represent only \$142.50 and even less for the first, but \$525 for the latter. For a family of 5 this represents almost \$2,000 yearly—\$1,912.50—and \$38,250 in 20 years. Placed in a savings account it represents over \$22,000 for each child at age 20; the personal exemption should be equal for everyone, such as in the State of Iowa.

Three: Federal gas tax refunds. The Hon. Russell Long of Louisiana has asserted that there is considerable fraud in refund claims.

He proposes the first \$50 or \$75 not be refundable. If a small farmer's refundable total is \$76, he receives \$1 refund. If a large operator's refunds total \$1,075, he receives \$1,000 refund. You notice the small farmer is penalized as though he was 99 percent crooked, and the large operator is assumed to be 93 percent honest.

Four: The HR-10 or Keogh plan. If a low-income farmer wants to save \$1,000 in his pension plan, the U.S. Treasury will contribute \$700. This represents \$510 additional for a high income person, per thousand, and on his allowable \$7,500 it represents an extra yearly contribution of \$3,825 and a 45 year extra contribution of \$172,125. Invested, it represents more than \$1 million extra. How can a young man compete? If the U.S. Treasury contributes \$190 per thousand to one man's pension plan, it should contribute that ratio in every plan.

Five: The new tax law passed last year discontinued the \$60,000 tax free gift that two parents could bestow on a son or daughter, to start farming or use in any business or investment. It should be reinstated and increased.

Six: Merrill-Lynch and the Continental Illinois National Bank are readying AG fund I with fund II and III, and others to follow to purchase farmland. As previously in item 4, portions of this fund are as much as 70 percent furnished by the U.S. Treasury, through the Keogh plan. This means \$3,000 land actually costs certain taxpayers only \$900—30 percent of \$3,000. Few farmers can compete.

As a final comment, I've seen enough of Soviet Russia's depressing effect and interference with markets to last a lifetime. Large grain companies and a constant flow of tax gimmicks are rapidly eroding any remaining opportunities for farmers to survive. The Department of Commerce data indicates that one-third of the farm labor force will leave between 1975 and 1985—over 1,300,000—and another group will leave between 1985 and 1995.

Senator CLARK. Del, I wonder, do you have any particular recommendations in terms of what the levels of prices and target prices

or loan rates ought to be or how we might go about trying to determine them?

Mr. WILSON. There has been a study made by the Government on costs of production. Loan rates there would approximately equal today's price.

Senator CLARK. Tell me, I am always betting with Bob Wegmuller what the price is at the Springville Elevator. We always used that as a base. What is the price of corn at the Springville Elevator?

Mr. WILSON. I don't know exactly, but I would estimate about \$2.30.

Senator CLARK. \$2.30, thank you very much, Del. Our next witness is Milton Distelhorst.

STATEMENT OF MILTON DISTELHORST, BURLINGTON, IOWA

Mr. DISTELHORST. I'd like to take this opportunity to thank you and your committee that came out here with you to take the time and come out here and listen to us people and let us watch and at least take part in what is taking shape in this part of the country. My name is Milton Distelhorst and I live on and farm 360 acres in Des Moines County, Iowa.

I have reviewed Senator Talmadge's proposal for new feed grain legislation, and agreed with the general principles and objectives of the bill.

However, I would recommend that in establishing a "target" price, consideration be given to a price that would not encourage production from marginal land, or serve as an incentive to further reduce our rapidly diminishing forest land.

All-out production has created havoc with soil conservation. Land which is not suitable for farming is being brought into production, and creating additional erosion and siltation of our rivers and streams.

One of our Nation's most valuable assets in the production of food, is Midwest soil. We must preserve our soil and natural resources to maintain and increase our high standard of food production.

Therefore, I recommend that our present conservation program, which is very vital to the survival of our Nation, be reviewed and funded at a workable level. Funds allocated to this program are insufficient, and are below the present rate of inflation.

If our Government wants all-out production of feed grains, we need an adequately funded conservation program, that will encourage farmers to install conservation measures that will be adapted to and further increase production. This type of conservation practice is extremely expensive, and without Government cost-share assistance, will not be implemented as rapidly as needed. Today's farmers should not be expected to pay the full price of preserving our soil for future generations.

If we hope to remain the No. 1 food-producing Nation in the world, I think it is essential that an adequately funded conservation program be implemented as soon as possible.

With that, I thank you for the time you have allotted me and I hope you have a very successful trip out here.

Senator CLARK. Thank you, Milt. I appreciate again, you know, you are the second witness that's talked about conservation and

emphasized that almost above everything else, and frankly I think that's the right emphasis because we are not going to have anything if we continue to deplete the topsoil we have got. There have been attempts as far back as I can remember and in the last several years about each administration to cut back on cost sharing programs, cut back on soil conservation, and I am hopeful that's going to change because we simply can't continue to use up more soil than we have in terms of production, and that's what we are continuing to do.

Do you think the cost sharing program is the more important in this, and you mentioned one other thing, you said don't get the support prices so high you got a lot of marginal land in production that ought not be in production.

Mr. DISTELHORST. This is one of the things we did away with, all incentives to preserve land or preserve wildlife cover or whatever you want to call it, but the thing has come to the point where we are plowing up every acre including myself, that shouldn't be plowed up to produce what we can, and we have to have some incentive to leave some of this stuff I think for the sportsman and certainly to more conservation tillage.

In my own situation, I let some bean stubble that I didn't chisel plow, and I used the chisel plow as much as possible and where we chisel plowed the bean stubs, you can go out and the road ditches are blocked and everything else. Where we left it stand, there is nothing there, nothing bothering and this is one of the things that has to come about, is conservation of tillage, and the answers, I am not sure, we in southeast Iowa in the Geod Wonderland district did put on in Mount Pleasant 2 weeks ago our conservation tillage situation and it was attended by 300 people from southeast Iowa, far more than we had any intention that would take any interest in this.

Machinery dealers brought in their stuff and showed it to the people and I thought it was real interesting.

Senator CLARK. Well, I noticed as we drove in the first one as we come to here, you can see a comparison, in fact, a minimum tillage on this field on the right-hand side as you drive out the gravel road here, and I think you see more and more of it certainly as you travel around.

Mr. DISTELHORST. It's the coming thing, and by minimum tillage of course what we are talking about in this meeting is everyone overplanting, and whether it will finally work or not, I don't know but it's something we have to look at.

Senator CLARK. Thank you. Next, I think is Jim Mullahy, a farmer from Wapello.

STATEMENT OF JACK PARSON, WAPELLO, IOWA, PRESENTED BY JIM MULLAHY

Mr. MULLAHY. I am not presenting this for myself, Senator.

Senator CLARK. I am sorry, would you say that again?

Mr. MULLAHY. I am not presenting this for myself. I am presenting this for Mr. Jack Parson who was to be here. He met with you at a meeting in Des Moines.

Senator CLARK. Right.

Mr. MULLAHEY. And I think you know Jack very well.

Senator CLARK. Good.

Mr. MULLAHEY. But Jack had other commitments and was unable to be in the State today, and not knowing about this meeting until last night, why, I decided I'd better bring it up and present it to you; therefore, I would like to read to you this statement. This is strictly his own statement. Mr. Chairman, I would wish to thank you and the committee for the opportunity of presenting my records on the cost of producing a bushel of corn.

I am Jack Parsons, a farmer from Louisa County, Iowa. My only income is, and always has been, from farming. My wife and I, and our two sons operate a farm unit which consists of about 900 acres corn, 200 acres soybeans, 80 head beef cows, and 74 head sheep. I mention this only to show that this is a family farm.

For the past 10 years, I have maintained a set of records on the cost of producing a bushel of corn. The figures shown on the sheet attached to my statement are my own farm records. The yield used to determine the cost for 1977 is the same as the 1976 yield as I feel this will be a dry year, and the yield could be much lower.

I could review the cost data with you, but I believe it is self-explanatory.

To me, the most important thing is that the CCC support loan price on corn exceeded the cost of production from 1967 to 1973. The cost of production has increased about 120 percent in 1973 and 1974, compared to only a 6.5 percent increase in loan rate. My estimated cost for 1977 is fairly accurate because I have purchased fertilizer, herbicide, insecticide, and seed. However, the estimate does not include storage, liability, workmen's compensation, casualty and hail insurance, legal and accounting expenses, tax reports, and other expenses too numerous to mention. If these expenses had been included, my cost of production would be higher.

The Department of Agriculture has asked us, the American farmer, for all-out production. To do this, the American farmers need protection in the market of a target price equal to cost of production and a loan rate of 75 percent of the target price. The target price payment should be figured on the acres planted, and if there is a target price payment, it should be made directly to the farmer. I feel this would leave us a free market program and be adequate to help support a depressed farm economy. But, I think it would be a very poor move to have any grain held by the government. My reasoning for this is I think back to what happened to the government-held grain in 1970 through 1973, when it was deliberately dumped on the market to depress our grain prices.

I am sure that many of the people here today can remember back to what happened then. As an Iowa farmer speaking, I'm very much against any Government-held grain reserve. What reserve we need could be held by the farmers through a resale program with assurance that it couldn't be called for delivery before maturity date.

Furthermore, I think it's very important to Midwest farmers that we revise and update the disaster program so it is figured on acres planted and not the—

Senator CLARK. The actual acres planted rather than allotment?

Mr. MULLAHY. This is what he is referring to. Also soybeans should be included in the disaster program. This should help balance the production of feed grain.

Another important issue is the preservation of the family farm. We need some type of legislation to encourage the younger generation to choose farming as a career. With land prices at \$2,000 per acre, and machinery such as tractors, \$25,000; and combines, \$50,000; there is no way possible a young person can start farming unless he is backed by an already established family farming unit. Perhaps a low-interest loan program is the answer to this problem.

I think the American consumer has not been properly informed of cost of food production. I, for one, think that something is wrong someplace when the American laboring man is spending 3 or 4 percent less of his take-home pay for food today than he did 3 years ago, especially since our cost of machinery and fuels has more than doubled in the past few years.

[The cost figures referred to above follow:]

Dollars per acre times interest equals cost land charge per acre	Seed costs per acre	Fertilizer costs per acre	Insecticide costs per acre	Herbicide costs per acre	Machine and labor costs per acre	Total costs per acre	Bushel per acre yield average	Cost per bushel	Government price support
1967:									
\$500×5½ percent.....	\$27.50	166-84-84	\$3.20	\$6.00	\$29.93	\$102.76	130	\$0.79	\$1.06
Taxes.....	7.25	\$22.55							
	34.75	1.00							
Total.....		23.55							
1968:									
\$500×5½ percent.....	\$27.50	190-136-136	3.20	6.00	29.10	102.83	120	.86	1.06
Taxes.....	7.50	\$24.20							
Total.....	35.00								
1969:									
\$500×5½ percent.....	\$30.25	209-136-136	3.20	6.00	29.29	108.34	140	.77	1.06
Taxes.....	7.50	\$25.10							
	37.75	1.00							
Total.....		26.10							
1970:									
\$600×7 percent.....	\$42.00	200-120-140	3.20	6.00	33.09	129.28	128	1.01	1.06
Taxes.....	8.00	\$27.90							
	50.00	1.00							
Total.....		28.90							
1971:									
\$650×7 percent.....	\$45.50	196-120-140	3.60	5.70	37.09	142.08	140	1.01	1.06
Taxes.....	9.00	\$27.90							
	54.50	1.20							
Total.....		29.10							

Senator CLARK. Good, it's an excellent statement and we are particularly happy to have the specific figures on his operation because one of the real problems, if we are going to base support prices on production costs to try to really find the right formula to know what production costs are. Let me say at this point we are going to take about a 10 minute break, then we are going to come back and the first witness after the break is going to be Mr. Newkirk from Homestead and then other witnesses, and we are hopeful that time is going to permit before 12 that we will take questions or comments from the audience. Again, I invite any of you interested in coming down to testify, just come down on around and let us know and we would be happy to put you on. I repeat what I said at the outset that any of you who may not want to testify orally today, we would be delighted to have you submit written testimony. Just write it out and mail it to me any time in the next 5 days or if you have a statement and would like to leave it here today, both of those will be put in the record, the official record as presented. So if you are not prepared today and want to mail us something in the next 5 days, that will work. In the meantime, we will take a 10-minute break.

[A brief recess was taken at 10:30 a.m.]

Senator CLARK. As I said earlier, we are going to continue with the witnesses and then, at the end of this period, we hope there may be some comments from other people here and again we invite any of you that want to testify to come on down. The next witness is going to be Virgil Newkirk from Homestead, Iowa. He farms out there and, Virgil, you go right ahead.

STATEMENT OF VIRGIL NEWKIRK, HOMESTEAD, IOWA

Mr. NEWKIRK. Thank you, Senator Clark. Some of the comments I have to make, some of you people may not be too happy about, but I am the type of individual that I really don't care. First of all, I am convinced that we need some conservation. I have traveled a lot in this country and I have been down to southern Iowa, northern Missouri, and I have seen hills down there plowed that haven't been for 19 years, but why have they been plowed? One of the basic reasons is because the USDA came out and asked the American farmer to produce, and the American farmer, who controls about 60 percent of the wealth of this world, is controlled by 4 percent of you people, and living as close to God and to motherhood, you have come employed with the Government. But the sad thing is, as I see it, is the fact that the Government, big industry plays a terrific part in our business which we have no control. I will cite you an example. When we had embargo, I wrote Senator Clark and Senator Clark worked very hard on it, but basically the Secretary of Agriculture had nothing to do with it. It was actually controlled by the Secretary of State, Mr. Kissinger, am I not right on that, Senator?

Senator CLARK. That's right.

Mr. NEWKIRK. Another thing I think plays a big part in our economy today is the problem we have with Government inspection on grains and the Chicago Mercantile Exchange. I see no reason why you people out there, when you invest \$100,000 into cattle or hogs

and another \$100,000 into feed, when you go to the banks, when you go to a Federal reserve bank, you automatically have to give a financial statement.

That same doctor, that same lawyer could bet against you at 20 to 1 odds for \$7,000 and not give a financial statement. I would like to quote you a few figures, Senator. The thing that really upsets me is the fact that the CFTC and the USDA maintain an office together as far as flow of information. This disturbs me for the simple reason that I feel that the CME knows what was going on before you and I do.

Yesterday on 43,000 open interest contracts on cattle alone, you figure this, times 40,000 pounds of beef at the value of \$400 an animal, \$45 a contract which you have to pay commissions, that would—the value of the commissions alone is 21,850 cattle. Now, that's when you figure this times a 5-day week. That's actually more cattle that's being speculated on on commissions alone than is being killed a week.

Now, I see no reason why you, as a producer, should have to go to work to compete with the amount of money that's in the business world against your product. You can't do it with U.S. Steel, you can't do it with General Motors, but yet everybody is in our business. The hog industry, the cattle industry, the grain industry, everybody plays with us. In 1973, the amount of beans that were traded on the CME was the equivalent to 72 times more amount of beans than were grown in this country. Now, I think that's an injustice and I think it's high time we have some legislation enacted to see that it's corrected. Thank you, Senator.

Senator CLARK. In other words, that's an interesting figure, I never heard it. In other words, this product was handled 72 times; or, in effect, the same product was speculated on, bought and sold 72 times?

Mr. NEWKIRK. On the board of trade.

Senator CLARK. Good.

Mr. NEWKIRK. Look at the amount of interest created in the big red industry today. You don't see that much interest in copper and silver. The only thing that has kept the CME alive, Senator Clark, is farm products, let's face it.

Senator CLARK. Yes, sure.

Mr. NEWKIRK. It amounts to billions of dollars.

Senator CLARK. As a matter of fact, \$500 billion in this country. It's an enormous figure. Thank you very much. We are going to hear now from Fred Willenborg from up in Delaware County. I bet you have some dairy cows.

STATEMENT OF FRED E. WILLENBORG, EARLVILLE, IOWA

Mr. WILLENBORG. Right, 250 on our farm and I wasn't aware of this meeting until—I wasn't aware of this meeting until late last night and I come with an unprepared speech, as you can see.

Senator CLARK. That's fine.

Mr. WILLENBORG. We got a family, our farm out there, 380 acres and we are milking 250 cows on the average and the only thing I

*250 cows
imports
be the ground*

would like to throw in here, I feel dairy imports is one of the things that's really hurting us dairy farmers. If we can't get these dairy imports stopped, at least one thing I would like to see done is see that they have the same quality sanitation regulations that we have got to comply with out here, and I know this for a fact because I have been on dairy boards and we are having milk brought in that has got very low standards and it's competing against our products and we cannot continue to compete if we are going to have to have our regulations up high and over there they don't.

I would like to see imports stopped completely, but I know we need foreign trade but the big thing I have got is the quality regulations be the same or else our family farms cannot exist and keep on going, and other than that, I have nothing other.

Senator CLARK. Well, I think your point is well taken. I think we have sponsored legislation just in the last few weeks again along with others to require that you have exactly the same standards for imported milk and products as you have for domestic. This doesn't make any sense based on any fact whether you are talking about the dairy producer or the consumer to have lower standards for some other country that's shipping milk in.

Mr. WILLENBORG. As far as I am concerned, I would like to see all milk being classified as Grade A. Let's face it, we are all human beings, we are all drinking it or eating it so why have two different grades of milk? Why, look at butter, you know—

Senator CLARK. And cheese?

Mr. WILLENBORG. Cheese or anything, and you come up with a different type. There is a certain window space and lighting necessary in my operation, why not in theirs, you know? Overseas can really kill us. They don't have to qualify at all for these things. I understand a lot of milk from overseas is not even cooled properly over there. Their cooling system is not at all what ours is. Bacteria counts are much higher than ours is. If we had what they have, we would be thrown out of the market.

Senator CLARK. What do you feel, as long as you are a dairy farmer, what do you feel generally about the future of dairy farming? Where do you think we are going with it, the right direction, the wrong direction?

Mr. WILLENBORG. Well, we are holding our own is about what it amounts to. We have our cost of inflation, and the price of land here is what one other gentleman I heard say, as I walked in. A young farmer like say my son, for instance, coming up, he will not be able to start out farming if land keeps escalating up the way it is and inflation rates go on up. I bought a self-propelled chopper this year and paid \$50,000 for it and we have just got too much investment in equipment, so we have got to have more on the dairy product in order to meet our operation costs.

Senator CLARK. Do you think dairy support prices are adequate now?

Mr. WILLENBORG. No, not near.

Senator CLARK. What do you think they ought to be? Do you have any recommendations?

MR. WILLENBORG. Well, I'd say at least another 5 percent on there at least. At least another 5 percent should be added on, at least.

Senator CLARK. How much of the feed do you produce yourself that you feed your dairy cattle?

MR. WILLENBORG. Well, we rent additional hay ground. I would say approximately one-half, and the rest of it is bought, grain and roughage.

Senator CLARK. You produce about half of what you feed?

MR. WILLENBORG. Right.

Senator CLARK. OK, thank you very much.

MR. WILLENBORG. Thank you for the time.

Senator CLARK. I think we are going to hear from a neighbor of yours from Earlville also, George Platten, Rural Route 2, Delaware County, and you proceed in any way you care to.

STATEMENT OF GEORGE PLATTEN, EARLVILLE, IOWA

MR. PLATTEN. Thank you, Senator. I am just as totally unprepared as he was. We decided at 1:30 last night after bowling to come down here and the weather hit us and we almost didn't make it. The only thing I have to say is I own a 140-acre farm, totally a hog operation from farrow to finish, 1,200 to 1,500 hogs a year if I don't have boar problems which I had this last year.

The thing that always tosses around in my mind is we hear so much about our grain exports and we definitely need them for our balance of payments, but why do we spend the terrific amount of transportation and storage costs for an item that costs approximately 5 cents a pound? Right now we have our rivers tight and our rail problems, our longshoremens coming in and raising all kinds of havoc in the gulf, and at the same time I drive through the country and see so many farms just sitting here, buildings going to pot, guys going into total grain operations because they can't continue on with livestock enterprises.

We have unemployment in the country and yet we export grain and we know from some of your investigative committees in the last year or so a lot of this grain is not fit for human consumption once it gets to the foreign country so they have to feed it to livestock or turn it into alcoholic byproducts, I imagine. If they are feeding livestock anyway, why don't we try to develop export markets for red meat? We could keep this grain here on our own farms, build our own agricultural industries, keep our manure byproducts here for our own fertilization. We would build jobs here, increase our buildings, we would increase employment in our packing-houses.

Granted, we would put a little bite maybe into Cargill and Bunge and a few of those good boys. They don't particularly please me anyway, but if we could export a red meat product, we would be exporting an item at 80 to 90 cents a pound instead of a nickel a pound, and with our large aircraft or shipping industry, cold storage, we could very rapidly export it, I would think.

Senator CLARK. Well, let me ask you about that because I have thought about that a lot, too. I don't know what the answer is. Have

you ever seen any estimates or heard any estimates on what we could deliver, let's say, of choice beef for Europe or other markets? I would think we are talking principally about Europe and perhaps Japan although obviously people eat meat all over the world, but that's where the most people have the money to eat meat and in Africa and Asia, and so forth, one of the reasons for grain is they are desperately poor. In Asia and Africa they earn \$200 a year, but there are a lot of people in Europe and Japan and other parts of the world who certainly do have some money. The question is, I suppose, whether we can deliver it at a price that they would pay. I don't know what the answer is. Do you feel that we could?

Mr. PLATTEN. Well, could we afford the export and transport costs and storage on it and send it overseas? We either have to give it to these countries as grain or—

Senator CLARK. Yes; from our point of view, that's certainly true but it's going to be their choice whether to buy meat or grain from us unless we just limit the amount that we sell them. Maybe that's what you are suggesting?

Mr. PLATTEN. I know right now I am selling hogs for less than what you can produce them.

Senator CLARK. That's right. Of course, the beef industry has been in very bad condition. It's a strange fact that if you go to Japan, that meat there runs about, I think good beef the last I knew runs \$10 a pound, \$12 a pound now.

Mr. PLATTEN. We can deliver all they want.

Senator CLARK. We could deliver a lot at that price, right. I talked to a lot of people in the Japanese Government because it's very clear with a price that high that we can provide it a lot cheaper, but there they put an enormous tariff on it because they produce relatively little compared to what they would eat at a cheaper price, but they are concerned if they start bringing it in at a cheaper price that they are subsidizing it and all the Japanese producers will be priced out of—forced out of the market. But it seems to me we could find a way to support meat. That would be much more in our total interest and the interests of the American farmers. I don't know why it couldn't be done. Thank you.

Mr. PLATTEN. Thank you.

Senator CLARK. Are there any other witnesses? If not, I think what we might do is just see if there may be comments from other people in the audience. What I would like to do for the record is to have you identify yourself, just what your name is, Dick Clark, Lamont, Iowa, or something like that and then speak loudly because we don't have microphones back there, speak as clearly as possible so we get the names and ideas of anybody that would like to speak. Has anybody got anything they would like to say about farm programs, conservation, anything in the agricultural area that you would like to have on the record here? Don't be shy.

Mr. MILLER. Yes.

Senator CLARK. What's your name?

STATEMENT OF ORVILLE MILLER, JOHNSON COUNTY, IOWA

Mr. MILLER. Orville Miller from Johnson County. I am a farmer and cattle feeder and I don't have a prepared statement. I am talking off the top of my hat.

Senator CLARK. That's fine.

Mr. MILLER. But getting back to this conservation thing and so on we mentioned here, all of the land that's plowed up and put into corn, I am strictly a livestock man myself and it's common knowledge that livestock dollars are turned about seven times before they leave the State. Look at all the different businesses and so on that profit from a livestock feeder, and the reason a lot of these hills that originally laid in grass for years and years have been plowed up is because a good share of those grassy hills had cows running on them and after some years of constantly losing money, they are giving it up and going to try it in grain. Now, the amount of cattle that was imported last year amounted to 7 or 8 percent of domestic production, and just recently, this fall and winter, half to three-quarters of a million small calves were imported also into this country from Mexico. Now, we can all realize if this between 7 and 8 percent imported beef would not have been imported, this would make a tremendous impact upon our cattlemen's prices.

After the release of the total cattle numbers report the other day, the total was perhaps at 8½ percent more than what they thought it would be. That has a very important effect on the market and we know when we talk about 2 or 3 percent less cattle on feed and so on, it has a certain amount of impact. So compare that 2 or 3 percent to 8 percent of beef imported last year, besides all these calves coming from Mexico, it's easy to see why we are not getting reasonable cattle prices and I don't think we would have to be quite so concerned with this heavy cropping and the grassy hills being plowed up if the cowmen could still realize a profit, and I think that is as much of a culprit as anything as far as target prices and loan prices are concerned.

Well, if a man is in operation and he can't make a decent living that he has to get some type of a loan, how is he going to continue in this same situation if he wasn't making a living before? How is he going to make a living after that and pick up that loan besides? This is the odd deal about this. Actually, of course, we know in agriculture, grain is the only commodity any more that the U.S. Government can use for trying to balance world trade and we farmers, well, we are the whipping boy.

As far as the other costs and charges and everything being taken out, whatever is left is what they decide they can pay us. That's all I have to say, I guess.

Senator CLARK. OK, that's good. I think the simple fact is that if we are not able to do a good bit better in livestock prices, particularly over the long haul as we have seen the last few years in beef prices, then we are going to be in deep trouble. There is just no question about it.

Mr. MILLER. We have been operating, many fellows, with increased, tremendously inflated land prices and so on. OK, that gives us more borrowing power and this is what many fellows are operating on now, but one of these times it's going to catch up. If we can get the American consumer, to realize this—this digs me a little bit because actually we farmers, are the biggest consumers of all. We go into town; we go to buy groceries, clothes and all that, and all of these other production expenses besides maintaining our equipment et cetera. I don't like the fact that they talk about the farmers and they talk about the consumers. I think whenever this country, the Government and Congress, and so on, realize the United States is still an agricultural Nation and that's what made it so great. Agriculture, it's proven in the past, is always first to suffer and last to get well. We are in the process of suffering right now.

How bad it has to get before something is done, I don't know, but it's getting progressively worse and I think if this soil erosion, et cetera, gets worse, we will be in serious trouble.

Senator CLARK. I appreciate that. I would like to ask you this, if I may: If some of these grassy hills and so on weren't plowed up and there would be less grain, it's supply and demand, so it would be less of one and up the price of the other. Then the grainman would realize as much or more from the grain that he does raise even though he grows to less extents of raising the grain with the acres, and then that would automatically lower the livestock numbers somewhat and then it keeps, it has a tendency to keep himself in supply. This is more the way things used to be.

Mr. MILLER. Well, we're getting farther away from it.

Senator CLARK. I might say I was saying here at the outset of the hearing we started right on time and several of you weren't inside yet. I was citing some statistics that show that in the last 10 years you compare how much land is in corn from 10 years ago with today, you will find 30 percent more land is in corn now and 43 percent more soybeans, more acreage in soybeans than we had 10 years ago. So there is definitely a push not only in that direction, but an enormous push in that direction. Overall, there is over a third more in grain production now than there was only 10 years ago. Are there any other comments?

Mr. MILTNER. I'm Max Miltner, you don't really control this whole thing. You can take 6 o'clock in the morning until 9 o'clock at night. Everything down the line, everything on radio and television is after the farmer: see how much he can buy. Who owns these outfits? Who owns all these things you are buying from them; selling to them; all the way down the line?

Senator CLARK. All right, does anybody want to comment on that or pick up on it? In other words, you see too much concentration of power in terms of companies that do business with farmers?

Mr. MILTNER. Money power. American companies—American Oil Co.—we get 90 percent of our oil from them, don't we? To the United States and four companies own that—Exxon, Standard, Texaco, and Mobil. Three of them I know, I know the Rockefeller, but 90 percent of the oil is coming from there. We blame it on the Arabs. Hell, we told the Arabs what to do, I believe.

Senator CLARK. Well, do you think years ago in this country—particularly in the agricultural areas there was enormous discussion and development of co-ops—is that an answer in terms of offsetting that to some degree?

Mr. MILTNER. I think some of the co-ops are playing the grain thing stronger than hell. We have beans, 96 percent of the beans were controlled by six people.

Senator CLARK. What do you mean by six people?

Mr. MILTNER. Six large grain companies. The Government came out statistically and told you this.

Senator CLARK. Well, six large grain companies, according to statistics—I will get my expert here to correct me if I am wrong—but six major grain companies in terms of export grain consistently handle between 85 and 95 percent of the grain.

Mr. NEWKIRK. How many farmers get \$11 beans?

Senator CLARK. Anybody else?

Mr. BECKER. I'm from Benton County. I am really interested in conservation. I am, I suppose, at the end of my career as a farmer and I see what's coming through on extensive crop programs and I think we need conservation, but I think there must be many people who have to farm that way or they are going to be on relief. But I think it's a crime. I drove to Iowa City with my wife last night and I know—now, this is in Iowa—I had an opportunity just the other day in western Iowa and I am sure I can take you up off of Highway 72, LeMars, and show you 6 inches of damn good Iowa soil in the ditch, and that's gone.

I did the same thing, don't kid yourself, for many years. I will be honest and say I was wrong but I finally woke up and I thought, well, whoever inherits my farm is going to get that so I will try to get it back the way I found it 30 years ago, and I think we have got to stress conservation.

Senator CLARK. Well, I think as I said earlier, I am delighted to hear people that are interested in it. We have had more emphasis at this hearing than at any time I can remember and I want to ask you a question, but I want to say first that it's a topic that we have got a particular interest in and we have tried to stop all across this State and look at conservation practices on farms, held a couple hearings with the Agriculture Committee on it, and we are going to be doing some more this spring.

The problem is, in fact, Bill and I are in the process of soliciting ideas to improve at least the Federal end of it insofar as they have got anything to do with it. In some cases, they certainly have got with cost sharing and so forth. Do you have any particular suggestion, you or anybody else here about things we could be doing that would improve that? Are you satisfied with the cost sharing program? Is that going in the right direction or are there other things?

Mr. BECKER. Not enough, but I think it's certainly been a help. You just have to get more Iowa land, cornland in the Nation into more grass somehow. As I said before, you can't do it if you got a stack of paper in the bank and you can't make the payments. I

think we have to attempt to cut down on the amount of crop deals and keep the prices more stable if we want the right kind of a conservation program.

Senator CLARK. Any other comments?

Mr. NEWKIRK. I have.

Senator CLARK. Give your name again.

Mr. NEWKIRK. Virgil Newkirk. Have you had any input on loan credit balances, PCA on cash flows in the last year?

Senator CLARK. Any input on what?

Mr. NEWKIRK. Cash flows?

Senator CLARK. In what respect? Be a little more specific.

Mr. NEWKIRK. As far as the farming industry, the cash flows have dropped statistically, I saw.

Senator CLARK. No question. You are right.

Mr. NEWKIRK. By about 30 percent, and I think we should be worried about it.

Senator CLARK. That's undeniable. That's certainly true. I don't know if we have any specific statistics. Well, the department has recently published some statistics that would bear that out. Are there any other comments?

Mr. WILSON. I am Del Wilson. Back to conservation, I think there will be increased volunteer conservation by farmers if we have national leadership in that direction.

Senator CLARK. How could we show that national leadership? What kinds of things do you think we could do, through the President, the Secretary of Agriculture, Congress?

Mr. WILSON. All three. It is important. We are not adequately planning conservation for our own children, let alone thinking of a generation 2, 3, 500 years down the line. We have lost half of our topsoil, I understand. It may be wise to keep the last half.

Senator CLARK. Well, those figures are right according to the soil conservation measurements. We have now lost just about half of the topsoil in Iowa.

Mr. ZENISHEK. In regards the conservation subject, Senator Clark, I think that one of the things in regards to conservation is the cost share situation. I really don't think that that is necessary. For example, if the farmer was getting cost of production plus a profit, realizing a fair return on his labor, equipment, and land and so on, I am sure that every farmer would be more than willing to share the cost of any soil conservation program. But right now the way it is, he is about forced to go full blast, hellbent for election, so to speak, in regard to just keeping his head above water in regards to the present day prices.

Now, I don't think it would only be reflected in that manner, but also reflect in regards to the fact that you would have less people on welfare because if you get monetarization of true wealth instead of monetarization of debt, everybody would be sharing in this and their fair share of this wealth that's being transposed throughout the economy, and consequently I think you would see your welfare roles go down and I think you would see prosperity like never before. I think this is proven when you make sure there is 100-percent

parity for farm production because this is the only way they can pay their debts in regards to those being rated by it.

Now, as you recall the Steigle amendment, imposed during World War II, 1942 until I think 1953, at which time it was kicked out by President Eisenhower, during that period of time there was prosperity like you never seen before and we don't want to have wars to have this accomplished, but I am wondering out loud if you have 100-percent parity for farm agricultural products and they know, in order to finance it, this is what we have to do. This wasn't true with the case of Vietnam because this was an undeclared war and this is a war that was for the money hungry devils in this country, and consequently, it wasn't a situation where we had true parity.

But what I am getting at, in regards to your cost sharing programs, there is no such thing as a free lunch. Someone has got to pay for it and that someone is us. We are the taxpayers, we are supporting the people on welfare, supporting every program given to the farmer. I don't think we would have any of them if the farmer realizes true cost of production and a profit over his cost of production. I think we could eliminate 99 percent of all your cost share programs, welfare, and everything.

Senator CLARK. Thank you very much. Have we got any others?

Mr. HANSEN. Yes, sir, I am Willis Hansen, I have already been down there to testify once. I don't know if this would be part of this farm bill or not, but has anyone in Washington taken a real close look at the impact of the barrage of reports that have come out of the USDA for cattle on feed, the poultry report, the stock reports, grains. Somewhere there is a very close correlation between the people putting these reports out and those in the market. They can tell me about all the discrepancy they want to. I don't believe it. Somewhere there is very close correlation and perhaps a leak in the pipe, and I think in recent years we have had particular emphasis on timing. It seems like the mercantile board of trade knew just the proper times and the farmer found out a few weeks later.

When you are operating a soybean market on the board of trade and active interest daily runs one-third of the crop, 72 times traded, but you look in the paper today and you will see active interest yesterday ran 450 to 500 million bushel and that's a third of last year's crop that somebody's playing with today, and when you got a 30-cent limit on that and you have got reports coming out that change the position on that volume of grain daily, it's perhaps not coming out fairly between farmer and speculator. This is a large area that I feel needs looking into. I told somebody I wanted some crowd reaction, I guess I finally found the point, but the whole situation in this barrage of reports is just overwhelming to agricultural producers out here and something needs to be looked at.

Senator CLARK. And you are talking particularly about reports that can be obtained to the disadvantage of farmers in the sense that they could be available to speculators and give them added information, specific information that they wouldn't otherwise have, is that correct?

Mr. ZENISHEK. Yes; our rapid communications and the availability through people have teletype and all of these various communications and equipment, we catch the news at noon if we happen to have the radio on on the tractor out in the fields, and we are not able to sit in the pit and make that 50 cents in that 30-second period. We get the news about 2 hours later.

Senator CLARK. In other words, they are right on the spot when it's coming out where it is, even if they didn't get advanced information of any kind?

Mr. ZENISHEK. Right.

Senator CLARK. And they could take advantage of it?

Mr. ZENISHEK. Right. Another item that I would like to bring up, and this again perhaps isn't related to this hearing directly, but you are on the committee with Senator Church and you were looking into multinational corporations?

Senator CLARK. Right.

Mr. ZENISHEK. Were you able to track the export of grain through the third nations where perhaps the profit was taken in this third nation, and particularly I would guess from reading all about Panama and Switzerland, perhaps there is a corporate tax there so if I buy beans here at \$3, I run the market up so I got a world market at \$9.50 and I sell them to myself, my subsidiary in Panama or Switzerland, move them on to Europe at \$9.50 and I have taken a profit with nothing coming into the U.S. Treasury Department for tax.

Senator CLARK. The simple answer is that we did look at it. I hope we are not done looking at it and the fact is that such a situation does clearly exist. We went into only one, namely the largest single multinational corporation, and that's grain I am speaking of, but we looked at others as well and in each case there was no question that they had subsidiaries and you are right, they are almost always in Panama or Switzerland, and grain is moved to other countries through those subsidiaries whenever that's been official, either for tax purposes or for other purposes. There is no question but what that's true.

Mr. ZENISHEK. This almost makes our concern about the law not too great because they can go around it even better.

Senator CLARK. Well, it's one of the real problems I think in the grain industry, and don't—I certainly don't mean to imply in any demagoguery way that grain can be handled without going through companies, but I do think that it gets dangerous when you have got six companies that handled 85 to 95 percent of the grain depending upon the individual grain. And when they can operate through these subsidiaries, third country subsidiaries, it means there is a little too much control. We are fearful there is a little too much opportunity for control in terms of price setting. That was the thing we were looking at in these particular hearings, whether in fact if a few companies determined closing prices on the European market, and that information gets back over here and is available at the outset of the Chicago Board of Trade, Minneapolis, all of the others.

Now, whether in fact there is a great potential for just a few people to get together in setting these prices and taking advantage of it, it's a major concern. Unfortunately, it's very difficult to trace this information with great specificity because many of these companies are privately owned and they are not like public corporations where you can just get access to any records that you have in a public corporation, and that's been one of our real difficulties. Many of them are privately owned companies. In fact most of them are.

Mr. ZENISHEK. Of course our farms, also, Senator, are privately owned and they can sure get a good look at us if they want to.

Senator CLARK. Any other comments?

Mr. NEWKIRK. I would like to read to you a law, CFTC—Commodity Futures Trading Commission—is required to cooperate with the Secretary of Agriculture in establishing an office coordinating a flow of information between the USDA and the CFTC. That answers your question before, that gentleman's question up there.

Senator CLARK. Yes. Do you think the fact the Commodity Futures Trading Commission has a flow of information from the Department of Agriculture makes it available to the speculators, is that what you are saying?

Mr. NEWKIRK. That's my assumption. Wouldn't you feel the same way?

Senator CLARK. Well, I am not sure. Before putting that on the record, I would want to have a more careful look at it. There is no question but what that law exists, I know that. Of course, I can't say exactly, but it's my recollection when that law was passed that the feeling was the Commodity Futures Trading Commission ought to have access to any information in the Department of Agriculture in determining whether or not speculators and people in the commodity business might be misusing their advantage. In other words, the fact that a flow of information goes to the Commodity Futures Trading Commission certainly should not make it available to speculators.

In other words, the Commodity Futures Trading Commission is an agency just as much as the Department of Agriculture is and, unless they are leaking that information at some point, I think it's a good idea that it be available. Now, if there is some misuse of it, that's another matter.

Mr. NEWKIRK. Now, did you see the report here last month or the month before, the one on the CME?

Senator CLARK. You mean the Chicago Mercantile Exchange?

Mr. NEWKIRK. Right, the speculators in months ahead were 65 per cent right.

Senator CLARK. No, I didn't know that.

Mr. NEWKIRK. It's out.

Senator CLARK. Are there any other comments? If not, I will thank you all for coming. I just want to say, by the way, the Arp family has been very, very gracious in having us here and I know we had to cancel last weekend because we just couldn't get out here from Cedar Rapids, so Regis and Barbara and others, I really appreciate it very, very much.

[Whereupon, the committee recessed, to reconvene at 2:30 p.m., in the Ankeny Sales Barn, Ankeny, Iowa.]

GENERAL FARM AND FOOD LEGISLATION

FRIDAY, FEBRUARY 4, 1977

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Ankeny, Iowa.

The committee met at 2:30 p.m., in the Ankeny Sales Barn, Hon. Dick Clark presiding.

Present: Senator Clark.

STATEMENT OF DICK CLARK, A U.S. SENATOR FROM IOWA

Senator CLARK. The hour of 2:30 having arrived, this hearing is scheduled to start, and so I call the hearing to order.

I want to welcome those of you who are here to this hearing of the Senate Committee on Agriculture and Forestry, and I want to say that I am especially happy to see here today a number of people who are going to talk with us and testify on the 1977 farm bill.

I would just like to make a few brief opening comments about some of the things that we are most interested in hearing your judgments upon. We are here today to discuss farm policy. As you know, the 1973 act, the act that presently gives authority for American agriculture, expires at the end of this crop year, 1977 crop year.

The Senate Committee on Agriculture and Forestry has prepared a draft bill extending a number of farm bill authorities and modifying some others. We are not, however, suggesting that we know precisely what farm policy in the 1977 farm bill should be. In fact, I haven't sponsored the draft bill yet because I want to hear what people at these hearings feel we ought to do, and complete the hearings in Washington and other parts of the country before coming to that decision.

Now, this committee staff draft bill, this draft bill that I am talking about—and I think you have summaries of that, and if not, they are out at the door—is proposed as a base from which we can work. It is simply a point of beginning discussion. We do not consider any part of that draft to be untouchable. In fact, we urge you to give us your very best thinking, including any criticisms that you have on the proposals that are in the staff draft bill.

The committee feels that hearings like these, where farmers and others give us a direct opportunity and you a direct opportunity to comment on things that you like and don't like about agricultural legislation, form an especially important input in the legislative process.

We plan to have three hearings in Iowa. We have had one this morning in Fairfax over near Cedar Rapids, and tomorrow we will go to Sioux City, the stockyards there, for further hearings. These hearings today are the first hearings that have been held by the Senate Agriculture Committee on the 1977 farm bill. Other members will be holding meetings in other parts of the country somewhat later. We will be holding meetings in Washington, and we will go back next week on Monday with the results of these hearings and with suggestions and information that you give us here today. As you can see, we have a court reporter here, which is crucial, and so everything is being taken down and will be printed in the official record.

I want to say that if you wish to prepare a statement and can mail it to me in Washington in the next 5 days, I can make certain that that is put in the record at this point, so if you did not come prepared to testify and you nevertheless have something you would like to say, please feel free to write to me. All you need is Dick Clark, U.S. Senate, Washington, D.C., and I will be happy to make it a part of the record.

We will be looking at the results of this hearing and the hearings in other locations, and then we will get to work on writing the farm bill. We will begin with this draft that some of you have in your hands, and by the time we finish, we hope that we will have a bill that has the best interests of the farmers, the consumers, and the country as a whole at its heart. So what happens here today will have a direct bearing on the farm legislation, and that's the way it ought to be in a democratic system.

The bill that is expiring this year, the 1973 act, is somewhat more flexible than the rules of the previous act. It depends more on markets to guide production and determine prices, or to put it in a more specific way, it has two main characteristics. I am talking now of the legislation that is presently in effect that will run out.

First, the target prices and deficiency payments; these were substituted for the earlier program of supporting prices directly; that is, exclusively through the nonrecourse loan program.

Second, the Secretary of Agriculture was given a large measure of discretion with respect to production controls. He has the option of setting aside acreage and setting loan rates if supplies become excessive.

Since the 1973 act was passed, as you well know, world shortages of grain have kept market prices above target prices. However, inflation has increased farmers' costs more rapidly than the formulas in the act have increased the target prices, so that farmers are not protected by the target price deficiency program as adequately as Congress obviously intended.

There is another dimension to our agricultural situation at this time. We are now committed to export-oriented, full production agriculture, in a way that we have not previously been since perhaps the 1930's. We are committed by our farmers' investments in technology and machinery, and we are committed by the acreage that we have brought back into production since the mid-1960's. In fact, we have

increased our corn acreage in the last 10 years by 30 percent, and we have increased our soybean acreage by 43 percent, so we have seen that the benefits of a competitive, export-oriented agriculture can be great. But, there are also very great risks.

There is concern in many quarters, I think justifiably, that we might well price ourselves out of our export markets by supporting prices at noncompetitive levels. In addition, there is concern that if we continue to have weakening export demand and if we have normal weather, or better, over the next 2 or 3 or 4 years, our large acreages in production could very quickly place us once again in a surplus situation.

Now, these are some of the issues that we want to talk about here today: What is the right level? What kind of export price is too much? What kind of export price is too little?

There are a number of remedies in the farm bill if we get into a surplus situation. I am not going to run through all of those, but certainly the most outstanding ones are obvious to you.

The draft bill, which has been circulated, would for the first time link Federal price supports directly to farmers' costs of producing grain. In other words, this proposal, which Senator Talmadge first put forward, for the first time tries to determine the cost of producing grain and ties the target price to that.

Provisions of the bill would take effect for 1978 crops of feed grains, wheat, and cotton. The target prices would be designed to cover costs of production on the acreage allotment of each farmer. The draft also proposes nonrecourse price support loans at not less than 75 percent of farmers' production costs, so I am sure there is going to be a good bit of discussion around here today about production costs, how you determine them, whether they are an adequate basis of writing farm legislation, or whether perhaps there are other better ways of approaching the subject.

I do just want to say in passing to that, of course, this legislation involves not just commercial agriculture. The food stamp program is in this legislation. Our food for peace program is in this legislation. Basic agricultural research is in this legislation, and so are the disaster provisions for American agriculture. I thought Secretary Bergland, in his confirmation hearings before our committee, was pretty accurate when he said the disaster provisions in the present law were themselves a disaster, and so I think there are going to be changes. I am sure that the Secretary is going to make proposals for changes in the disaster provisions, and I would hope that some of you would address yourselves to that as well.

The whole issue of isolating Government grain stocks from the market, what kind of a reserve should we have, if any, and where should it be held, these are all issues that we have to deal with in this bill, so we are prepared now to go on with the witnesses.

I do want to say that we are asking each of the witnesses to limit their oral presentation to 6 minutes. We have a timer here with a bell on it, in fact. Many of you may be prepared to talk much longer—some of you have some very thorough statements—and we welcome those, and they will be put in the record in total as if given, so the

record will be clear. Everyone who has anything to say can certainly submit that for the record, but we would like in your oral presentations to limit the time to 6 minutes so that we will also have some time for questions.

Additionally, I would like at this point in the record to put a statement of Senator John Culver. His views on this legislation will be put in the record at this point.

[The statement of Senator John Culver follows:]

STATEMENT OF HON. JOHN C. CULVER, A U.S. SENATOR FROM IOWA

Mr. Chairman, S. 272, the Food and Agriculture Act of 1977, promises to be one of the most important pieces of legislation to come before the Congress this year. I am glad to have the opportunity to present these comments to the Committee as we begin the process of shaping new legislation to meet the needs of the nation's farmers and consumers.

The bill, as it is, incorporates in its provisions what I consider a very positive change in policy by basing commodity loan rates and target prices on farmer costs of production. I was also very pleased to see the attention given to our agricultural research system. While I have reservations about some of the specific provisions of this title (Title VIII) of the bill, a comprehensive review of Federal policy for agricultural research is long overdue. The last such review took place over twenty years ago, in 1955, when numerous fragmented programs were consolidated under amendments to the Hatch Act of 1887. I hope that the proposals in S. 272 will stimulate as positive a contribution to our agricultural research needs as did that act of twenty-two years ago.

There are two issues, however, which I consider of vital importance to Iowa and to the nation which are not sufficiently addressed by this bill as it stands. These are disaster assistance and soil conservation. Senator Talmadge, Chairman of the Committee on Agriculture and Forestry and author of the Food and Agriculture Act of 1977, mentioned the need of action in both of these areas when he introduced S. 272. I would like to urge the entire Committee to pursue these areas vigorously and incorporate the needed changes into the Food and Agriculture Act of 1977.

The need for quick action in these areas is accentuated by the current drought conditions in the Midwest and by the accelerated pace of soil erosion in recent years. At a time when there is still considerable uncertainty over the world's ability to produce enough food to meet its needs, we cannot afford either to leave today's farmer unprotected in the face of natural disasters or to leave tomorrow's farmers and consumers unprotected in the face of a diminishing supply of topsoil.

About a month ago I submitted testimony before the House Agriculture Committee's Subcommittee on Conservation and Credit which was chaired by then Representative, now Secretary of Agriculture Bob Bergland. The Subcommittee was examining the need for new legislation in the area of disaster relief. I would like to reiterate one point that I made in that testimony: that this nation cannot afford to lay on the farmer the full burden of carrying the risks of natural disasters in agriculture. The lost income consequent to such disasters undermines the farmer's ability to invest in both the conservation practices and the machinery and equipment necessary to insure ample food supplies in the future. In addition, I believe that our society has a responsibility to help alleviate undue hardships suffered by victims of natural disasters, farmers or nonfarmers.

The Federal Crop Insurance Corporation has been providing just such assistance since 1939. The Corporation has operated since that time out of an original authorization of \$100 million in capital stock. In addition to this original authorization, \$6 million annually from 1939 to 1941 and \$12 million annually from 1941 to present have been appropriated to help cover the administrative costs of the program. Annual administrative expenses above these levels have been paid out of capital stock. All insurance losses over the years have been paid out of participating farmers' insurance premiums.

At present the Federal Crop Insurance Corporation has \$2 billion in

coverage on crops grown by farmers in 1,467 counties. The participation rate in those counties, based on eligible acreage, was 13 percent in 1976. This percentage would have gone higher had the Corporation not been forced to cease accepting new applications for insurance in much of the drought affected area of the Midwest in August and September of 1976. Had new policies been issued at the time, substantial losses would have been a near certainty. The Corporation would then have been forced to raise the premiums for all policy holders in order to cover the expected losses. This would have been unfair to those farmers who had carried crop insurance and paid their premiums throughout both the good years and the bad.

A portion of the blame for this action also falls on the Congress. The \$12 million annual appropriation for administrative expenses has long been insufficient to cover the actual administrative expenses of the program. Operating expenses for the Federal Crop Insurance Corporation in 1976 were about 20 million dollars, or about 22 percent of total outlays. This compares favorably to private insurance companies where administrative expenses average 33 to 35 percent of total outlays. Because the annual Federal contribution to program operating expenses has not been raised above the \$12 million authorized in 1941, the Corporation has almost depleted the original \$100 million in capital stock. At this time there is only \$10 million of that \$100 million left, and if projected administrative expenses for 1977 (\$22.5 million) are accurate, that \$10 million will not be sufficient to meet the Corporation's needs. Without swift action this year the program's service to the nation and to the farmers covered and desiring to be covered by crop insurance will be seriously jeopardized.

A related program is the Disaster Payments Program authorized by the Agriculture and Consumer Protection Act of 1973. I urge the Committee to reassess the equity considerations involved in this program. Currently the program is rife with inequities both between different farmers and between different crops, arising from inconsistent and ill-designed eligibility criteria. Archaic acreage allotments have undermined eligibility for many of the nation's most productive farmers. Cotton producers who are prevented from planting cotton may qualify for disaster payments, then proceed to plant and harvest another cash crop, whereas corn and wheat producers are restricted, and I think rightly so, to replanting a noncash conserving crop in order to remain eligible for disaster payments. Soybeans, the third largest cash crop in the country, are not even eligible for disaster payments.

On the other hand, crop insurance is available on a broad range of crops, including soybeans, and is both a more effective and more equitable means of providing protection to the nation's farmers. Federal Crop Insurance Coverage provides payments which approximate a farmer's direct costs plus overhead. Disaster payments provide much less protection and at a much greater cost to the taxpayer. If we took only a portion of the money spent in the Disaster Payments Program and put it into the Federal Crop Insurance Corporation, we could not only vastly increase the protection afforded American farmers, but also substantially reduce the inequitable treatment inherent in our present disaster relief programs. Perhaps then the Corporation could reopen its doors to those farmers who are presently unprotected without penalizing those who have long subscribed to crop insurance.

On the topic of soil conservation, several members of this Committee have expressed their support for a bill which would limit the Agricultural Conservation Program's cost-sharing assistance to "enduring" conservation measures and eliminate support for annual practices. The need for long-term conservation measures is undisputed. In Iowa alone two-thirds of the state's 27 million acres of cropland are not sufficiently protected against erosion. Much of this unprotected land desperately needs to be laid out on the contour and terraced. Still, such long-term measures alone will not do the job. Mr. Bill Greiner, the Iowa Director of the Department of Soil Conservation, has pointed out that contouring a field with a two to five percent slope will double the life of its topsoil. Building terraces on the contour will add another 42 years to a topsoil life of 72 years without terraces. But if a farmer contours, terraces, and uses the best-known tillage and soil management practices, that original topsoil will last over 2,000 years, long enough to make new topsoil to replace that which is lost.

If we should take any lesson from these figures it is that soil conservation is more than permanent structures. It is more than long-term agreements. Soil conservation is a way of farming that includes both enduring structures and annual practices. Some of these practices impose costs on the farmer year after year while providing him with little or no return in the short run. If this Congress bans cost-sharing on all annual conservation practices, benefits from the investment in "enduring" measures would also be substantially undermined. In the end we would spend more money for less protection than we have now.

In response, many argue that the annual practices being made ineligible for cost-sharing are primarily production practices, and as such the farmer should pay for them. To the extent that this is true, I am in full agreement. But such is not the case with many of the practices currently supported by the Agricultural Conservation Program on an annual basis. Even in cases where the farmer derives some contribution to this annual production, that contribution is often insufficient to cover his costs of implementing the practice. The Agricultural Conservation program is a cost-sharing program, not one in which the government covers the full cost. If the farmer derives immediate benefits from the practices on which the government has cost-shared, I hope that the Committee, in its deliberations, will assess those benefits in light of the contribution to cost that the farmer has made. More important, I hope that the Committee will assess the Agricultural Conservation Program primarily in light of the contribution its activities make to the conservation of the soil. Practices which do not make meaningful contributions to soil and water conservation should not be eligible for assistance under this program. But we must be careful not to disqualify practices which are vital to the preservation of the nation's soil and water resources solely because they must be repeated each year.

There is one final point that I would like to make on this issue which reaches beyond soil conservation alone to the broader set of programs for agriculture. Soil conserving structures on the land are expensive. They are often beyond the means of the small farmers even with government cost-sharing on 50 percent of the cost. Yet, with assistance, the small farmer can afford to implement some of the less expensive annual soil conserving practices. Eliminating eligibility for cost-sharing on annual soil conserving practices effectively eliminates the small farmer from participation in the program. Eliminating any farmer's opportunity to cooperate in this important program is neither in the interest of soil conservation nor in the interest of America's farm families.

Mr. Chairman, I thank you again for this opportunity to present my views on these important issues, and I commend you for insuring, by these hearings, that the views of many other Iowans will also be available to the Committee and the full Congress in their deliberations on the Food and Agriculture Act of 1977.

Senator CLARK. Now, I think it is appropriate that we hear from the Iowa Department of Agriculture.

We have Bob Lounsberry, secretary of agriculture in Iowa, and you proceed in any way you think appropriate, Bob.

**STATEMENT OF HON. ROBERT LOUNSBERRY, IOWA STATE
SECRETARY OF AGRICULTURE, DES MOINES, IOWA**

Mr. LOUNSBERRY. Thank you very much, Senator Clark, for this privilege of appearing before you today.

The secretary of agriculture of Iowa is an elected position, so it is important that the office represents the best interests of all Iowans. In that respect it is felt, since agriculture is of fundamental importance to this State, that a healthy economic climate for farmers is in the best long-range interests for all of our citizenry.

There are several specific spheres toward which I will direct my

testimony. However, in it all, a clear profile supporting a market-oriented agriculture will be evidenced. In continuing, I will focus, individually, on several of the major ingredients of a national farm policy.

TARGET PRICES

Target prices, which you have just covered in your opening statement: These payments, which are possible under certain market conditions, should be held to a reasonable level. The more protection provided by the Government, the more inclined the Government is to exercise increased control over agriculture. Actually the current target price and loan rate of corn, for example, presents a ludicrous picture. The target price of corn at \$1.57 per bushel hovers at only 7 cents per bushel over the \$1.50 per bushel corn loan rate. Thus, the maximum payment for corn producers under these circumstances would be 7 cents per bushel, and that would occur only if the price of corn reached \$1.50 per bushel. This amount of payment would be of small significance to a farmer who is facing financial disaster. If a target price concept is adhered to in the future, the difference between loan rate and the established target price must represent a larger differential from that which exists now.

In the field of target prices, our enthusiasm for increased protection is dampened by our fear of it becoming a stimulant for a paternalistic Government and of becoming a heavier burden on the freedom of action by farmers.

LOAN RATES

The loan rates should be kept at a level slightly lower than the cost of production for any of these specific commodities. If the loan rate reaches or passes cost of production, it will be the market incentive for which farmers will produce. In other words, our deep concern is that setting the loan rate too high could well be an open invitation for all-out production for one specific commodity.

Within the loan rate mechanism it is important that they continue to be of the nonrecourse repayment nature. Without the nonrecourse qualification, the door would be left open to the accumulation of large Government-owned stocks.

INTERNATIONAL TRADE

Agricultural products should have access to world market demands. The producers of hard, cold industrial goods, for the most part, have that access, and to be consistent, farmers should also have the same market availability.

Ironically, in the name of cheap food, there are those who continually exert pressure to control the export of agricultural products. The answer to that demand is that the people of this Nation already have low-cost food. No other country in the world pays such an average low percentage of income for food as we do in this country. This is true in spite of the fact that the quality and variety of food products available to the American consumer is much superior to that which people are accustomed to in other parts of the world.

Access to the world's market should be unfettered, even during periods of low productivity on the domestic scene. After all, we can bid for our domestic supply on the world market right along with other countries. The standard of living in the United States is considerably above that of other nations, so it is a matter of priority. If other countries can afford to purchase commodities on the world market, we can afford to let the world demand determine prices.

Basic is the fact that we must be consistent and treat all sectors of commerce as much alike as possible. What is good for one is good for all.

RESERVES

To allow the free market to properly function, we would oppose any Government-owned grain reserve. Grain reserves should be held on the farm by the farmer and owned by the farmer as they are now. It is simply impossible to isolate even a relatively small quantity of a Government-held commodity from the marketplace, and the existence thereof would act as a depressant on the concerned commodity market price.

CONSERVATION

We certainly support full production, at the farmer's discretion, of all agricultural commodities. However, this approach could and should be tempered somewhat on field crops relative to damage to lands due to erosion. We must take a stronger stand in protecting this Nation's most valuable resource, her topsoil. Farmers are cognizant of the need for a greater emphasis on conservation, but it is economically impossible for them to shoulder the burden alone.

The economic exigencies of the day for family and operational outlays of cash preclude adequate investment in conservation by farmers. Appropriated money, to a heavier degree, must be made available for permanent conservation practices such as parallel terraces, farm ponds, grassed waterways, tree seeding, and small conservation upland structures, and so forth.

Conservation must be given the necessary impetus by Congress through a nationally strengthened program to protect the long-range productivity of our soil.

IMPORT QUOTA

The present import quotas functions in reverse. It is not logical for increased domestic production, which can lead to a surplus, to trigger increased import quotas, but that is exactly what happens. This should be changed so that where import quotas are applied, the import quantities should be reduced when domestic production rises.

FEDERAL MARKETING ORDERS

We endorse the resolution adopted at the annual meeting, October 20, 1976, in Williamsburg, Va., of the International Association of Milk Control Agencies.

The resolution says in part that class I (milk) prices fixed by the USDA, have fluctuated sharply and almost on a month-to-month basis.

It also says that many changes have been Contra-seasonal, and that the frequent changes to consumers adversely affect sales.

The resolution requests:

"That the USDA consider amending its Federal Milk Marketing Orders to provide for less erratic class I price movements."

WOOL INCENTIVE PROGRAM

I would encourage continuation of the wool incentive program which has been important in stabilizing prices and promoting the declining sheep industry.

APIARY INDEMNITY PROGRAM

The indemnity program for beekeepers suffering damage or loss due to pesticides has been an important one for many beekeepers. Even with careful use of pesticides, some damage will inevitably occur, and the value of the program to this vital industry will be of continuing importance.

I would encourage a procedural change so that the inspection of damaged hives would be made by ASCS personnel at no charge to beekeepers, just as is the case with other crop loss investigations.

In conclusion, I would encourage the farm policy of tomorrow to function under a framework which continues to extend to the farmer the opportunity to make his own decisions, decisions unhampered as much as possible, of intrusion by Government in the marketplace; and yet aided by the Government in its proper role of encouraging production, stimulating profits and protecting our natural resources in the best long-range interests of not just farmers, but of all of the people of the United States. Thank you, sir.

Senator CLARK. Thank you very much. May I ask you, Mr. Secretary, just a couple of questions?

Mr. LOUNSBERRY. Yes, sir.

Senator CLARK. None of us knows the answers to these questions, but I would like to get your opinion on them for the committee.

Do you have any particular recommendation on what the level of target prices or loan rates should be in this legislation? Can you give us any general ideas? You did say you thought the loan rates should be somewhat below the cost of production. Do you have any feelings on that?

Mr. LOUNSBERRY. Well, as you well know, Senator, there are many different experts, so-called experts, who have a wide variety of production costs, and even among farmers, management enters into a great degree and determines productive costs. I would feel that somewhere between 10 and 20 cents below the average cost of production as determined by an average of many resources on what productive costs are would be a good start.

Senator CLARK. For the loan rate?

Mr. LOUNSBERRY. Yes.

Senator CLARK. Any idea on the target price?

Mr. LOUNSBERRY. Excuse me. Well, preferably, I think, target price is, at best, misunderstood by many of us. I would think that a

wider variation between target price and the loan rate would be advantageous to the farm program.

Senator CLARK. OK. Thank you very much.

Mr. LOUNSBERRY. Thank you.

Senator CLARK. We are going to hear next from Kenneth Walston, a Mahaska County farmer, down at New Sharon. Kenneth, do you want to go right ahead?

STATEMENT OF KENNETH WALSTON, REPRESENTING MAHASKA COUNTY ASC, NEW SHARON, IOWA

Mr. WALSTON. Mr. Chairman, we appreciate the opportunity to present our views on those items that need consideration in a new farm bill. First of all, we would like to congratulate you and the other members of the Senate Agriculture Committee for your efforts on behalf of farm people and agriculture in general. We are also proud to have Bob Bergland, a genuine dirt farmer, as our new Secretary of Agriculture.

TARGET PRICES

We agree with the concept of a target price that covers the cost of production. However, in order for the cost of production to be realistic and not contribute to the escalating cost of farmland, we recommend that the value of land be a flat cost factor, and all other inputs be on an actual cost basis.

COMMODITY LOANS

Nonrecourse price support loans should be offered on at least 80 percent of production cost. This will offer producers the opportunity to utilize the program for orderly marketing and be of benefit to our farmers in contrast to the price support program offered the past few years which had little or no value to producers.

FARM STORAGE AND DRYING EQUIPMENT LOANS

The farm storage and drying equipment loan program needs drastic changes in the immediate future if the goal of a strategic reserve for emergency purposes is to be accomplished.

No. 1: The loan percentage should be increased to at least 85 percent of the total cost.

No. 2: The cost of the foundation and electrical wiring should be eligible for inclusion in the total cost.

No. 3: Silos be reinstated as an eligible facility. Farmers who store grain in this manner are discriminated against at the present time.

Senator CLARK. In the sense, you mean, that they can borrow money to construct that?

Mr. WALSTON. They borrow money, get a loan to build these structures to store grain in.

Senator CLARK. Good.

Mr. WALSTON. Farmers who store grain in this manner are dis-

criminated against at the present time. Grain stored in silos also saves energy because it does not need to be artificially dried.

No. 4: The loan amount the county committee can approve without State committee concurrence should be increased from \$10,000 to \$25,000. A facility that cost \$10,000 a few years ago now would cost more than \$25,000 if foundation and wiring were included.

No. 5: Interest should be a fixed percentage rate for the life of the loan. The present variable interest rate is confusing to farmers and probably unjustified.

THE DISASTER PROGRAM

The disaster provisions of a new farm bill need to be completely revised. First of all, it should cover all major crops, including soybeans and oats. We believe the program would be a lot better served if a premium were charged the producer for this coverage. We realize this would be a duplication of Federal crop insurance, but in the interest of efficiency, only one agency should do this work.

Due to the unique delivery system of ASCS and our reputation for accomplishing difficult tasks, we believe ASCS should administer this program. At the present time Federal Crop Insurance Corp. depends on ASCS offices to mail out information for them in newsletters and give information at the counter. The yields established by ASCS county committees are also used by them as a basis for crop loss payment purposes. In addition, ASCS photography is presently used to determine acreage.

I would also like to point out that ASCS has approximately 3,000 adequately staffed county offices in the country, while Federal crop insurance has approximately 325 to serve the same constituency. For this reason we are in a much better position to give service to our farmers.

If we are really interested in streamlining Government and making it more efficient, there should be only one disaster program, whether you call it crop insurance, disaster protection, or any other name.

The coverage should be extended to the planted acreages in all cases, so long as full production is needed. If, due to excessive production, a cutback in acreages is desirable, the average acreage for the previous 2 years should be the allotment. Only those producers willing to cut back planted acreages would be eligible for the insurance protection.

AGRICULTURAL CONSERVATION PROGRAM

In view of the apparent need for continued full production in the immediate future, it is imperative that conservation of our precious soil and water resources be given the highest priority. In order to meet this need, our farmers have plowed up hundreds of thousands of acres of marginal land. This merely adds to the urgency of the situation.

For the above reasons, we recommend that a minimum of \$500 million be appropriated for cost-sharing longtime-enduring conser-

vation practices on an annual basis. It is also important that the present limitation of \$2,500 per producer be increased to \$3,500, due to the big increase in cost to complete a practice.

We realize that only a broad outline is contained in the above recommendations, and we hope they will be useful to your committee and Congress as they consider this important legislation.

Thank you again for this opportunity to present these views.

Senator CLARK. Thank you very much. You state a lot of things there, and I think a lot of them are very wise. I wanted to say something about the cost of production figures that are cited in this draft bill. They come to a figure of \$2.28 for cost of production for corn for 1978. Needless to say, that probably wouldn't apply to any one farmer in the United States, but it is an attempt to find an average.

As I understand it, the way they determined land prices was to take the actual price that the land was acquired at. In other words, if you bought it 30 years ago at \$300, then it was valued at \$300 an acre. If you bought it 30 days ago at \$2,000 an acre, then it was evaluated at \$2,000 an acre. They tried to survey the whole country and determine what the land was purchased at, at what price, and they used that as the figure for land price production.

Now, lots of people will argue about that. But it is my understanding that that's how they arrived at this figure.

You mentioned that you thought soybeans and oats ought to be covered by the disaster program. It raised a question in my mind. Do you think that soybeans ought to be included in the target price system? You know that we have a loan rate.

Mr. WALSTON. I feel that they should be as long as we are in full production, yes.

Senator CLARK. The other thing that you talked about, that we have been talking a lot about in the last several weeks, is whether it might not be better to have a disaster program that was just based on a vastly improved crop insurance program and have that be the disaster program. Does that make any sense to you if we were to cover everybody and, if necessary, even subsidize part of the premium?

Mr. WALSTON. This is what I had in mind.

Senator CLARK. When you said one system, that's what you meant?

Mr. WALSTON. One system, yes.

Senator CLARK. That makes more sense to you than the present kind of situation?

Mr. WALSTON. As it is now, there are farmers that are in gray areas and dark areas that absolutely cannot get Federal crop insurance, and also with the disaster program, there is an inequity in making the payments. If a man has a loss of, say 50 percent of his crops, he isn't eligible, and here is a fellow that has 45 percent, and he is eligible for a full payment, and this is very unfair, the way I see it.

Senator CLARK. I agree with you. I wanted to congratulate you on your emphasis on conservation because if you are going to have

full production agriculture, certainly that has to be taken into consideration. I think your proposal that we go to \$500 million in cost sharing is a reasonable one. If my memory serves me correctly, this last year we had about \$290 million, almost \$300 million, and this would go to 5, and I can't imagine any place that money would be any better invested than in trying to maintain the topsoil.

Mr. WALSTON. Well, I can only speak for the committee in Mahaska County, but we find we could spend far more money than what we can get. We have farmers that really need more conservation, and they need help with it.

Senator CLARK. Now, it wasn't clear to me, Mr. Walston; you are representing Mahaska County?

Mr. WALSTON. I am a farmer in Mahaska County.

Senator CLARK. Yes.

Mr. WALSTON. I am the chairman of the Mahaska County ASCS Committee.

Senator CLARK. I see. Good. Thank you very much.

Mr. WALSTON. Thank you.

Senator CLARK. We are going to hear next from Don Van Ryswyk from Indianola, Warren County. I guess I ought to read out the next four or five witnesses so that they can be down in this area. Don will be followed by Walt Goepfinger, who will be followed by Lowell Gose, to be followed by Phil Raymond. Those will be the next three after Mr. Van Ryswyk.

Don Van Ryswyk, Indianola, Route 3.

STATEMENT OF DONALD VAN RYSWYK, JR., INDIANOLA, IOWA

Mr. VAN RYSWYK. I am from Warren County. I am a small livestock-grain farmer living near Indianola; smaller in livestock than in grain.

I would like to commend you for holding these hearings and giving farmers in Iowa an opportunity to express their feelings about farm programs.

I am in general support of the bill introduced by Senator Talmadge relating to a comprehensive 5-year food policy.

I favor programs available on something other than an annual basis. Farmers must be able to plan ahead. They need to know what programs are available and that they will not be changed. Therefore, I do favor a 5-year program.

I believe we need to keep the food stamp program in operation. It does assist in the utilization of part of our production, and I have a thing here made up on food stamps and the Iowa economy, and I am on the welfare program, and I do feel that they are one of the better farm programs that we have had.

I believe we need target prices with price support levels based around reasonable cost of production figures. I believe it is a practical matter that the Secretary has authority to determine the level of price support loans. Conditions and circumstances can change rapidly. A minimum level at 75 percent of the production cost

seems reasonable to me. I would caution you not to let the loan rate be set so high as to let us drown in our own production, and this has happened with wheat in the last 3 or 4 months.

It is also a must to maintain a strong, aggressive sales and export program. We must be able to and we must keep our commitments if we expect to retain our markets.

As a young farmer, one of my biggest problems is securing capital. Credit is not always readily available. Sometimes the margin is so fine that a less than average crop or just a few cents difference in the price can be disastrous. One of the things that really bothers me is that we are really not taking care of our soil like we should. About the only money being spent on soil conservation in our area is what, if any, is left over after other needs are met, and I would like to tell you that in Warren County our welfare, medical and dental is more for 1 month than the ASCS is for a whole year to take care of a vast number of acres.

Senator, you know that is not enough. You have walked across a good deal of southern Iowa. You know what our terrain is like. If we are to maintain our factory for agricultural production, we are going to have to take better care of it. Young farmers need more capital made available to them for a variety of purposes, and especially for conservation.

Senator, my problem is that I have got my farm mortgaged for about all it is worth, and I cannot accept that \$2,500 and spend what has to go with it to take care of my conservation needs. I feel if we had a long-term, low-interest loan rate, it would do a lot of us some more benefit than what we have at this time.

I would like to thank you and your staff for the opportunity to appear here. Thank you.

Senator CLARK. We thank you very much. You have covered a lot of good things in a very short period of time. Now, again I want to congratulate you on hitting conservation because I think that's where we have been most negligent, even though there are a lot of people in this State and this country that have worked very hard at it for 40 years.

I wonder if you have got any particular opinion on whether you think we ought to continue the target price system. That's one of the things we are going to have to face up to now in the next few months, whether to go to a loan system entirely, nonrecourse loan, or whether to keep this target price. Do you have any particular views on that yourself?

Mr. VAN RYSWYK. Well, I don't really know what to say. I think I am more in favor of a loan program. I am afraid if targets were set too high, I am concerned about overproduction. In fact, I already think we have done it, and this is the thing that concerns me.

Senator CLARK. Thank you very much. Can we put this in the record?

Mr. VAN RYSWYK. Yes.

Senator CLARK. We are going to hear now from Walt Goepfinger, representing the National Corn Growers Association.

STATEMENT OF WALTER GOEPPINGER, REPRESENTING THE
NATIONAL CORN GROWERS ASSOCIATION, BOONE, IOWA

Mr. GOEPPINGER. The National Corn Growers Association is grateful for the opportunity to present its views concerning the kind of farm legislation the Congress should consider for the new law that must be passed by May 15, 1977, in this session, since the 1973 law expires at the end of this year. Following are the salient points we would like to make, based mainly on the association resolutions passed at the annual business meeting of members last July.

CORN LOAN RATE AND FARM POLICY

On January 21, 1977, USDA stated that U.S. farmers intend to plant 84,526,000 acres of corn in 1977, the largest acreage since 1948. If 11 million acres of this are cut for silage, it will leave 73.5 million acres to be harvested as grain. Allowing for 1½ million acres abandonment for various reasons, it would still leave 72 million acres for harvest as grain. Should average weather conditions prevail and a 95 bushel-per-acre national average yield be obtained, a 6.85 billion bushel grain crop would be harvested. This would mean we would produce about 850 million bushels more than we will probably consume this year, and add that amount to the 400-million-bushel carryover we had at the beginning of this marketing year on October 1, 1976. This would represent a burdensome 1.250 billion bushels hanging over the market.

With the precariously dry soil moisture reserve situation now prevailing in the western half of the Corn Belt, no one knows at this time if the 1977 growing season will bring about a bumper crop or a very greatly reduced one. Our corn and soybean crops are in the lap of the unknown forthcoming weather developments of the next 8 months. Due to this, we cannot afford to have restricted plantings off our major crops if we are to insure the maximum supplies that can be made available to consumers if a short crop results.

On the other hand, if our weather produces a 6.85 billion bushel crop, which puts drastic downward pressure on corn prices, farmers should not be punished economically for having assured our consumers, both here and abroad, of adequate supplies.

The National Corn Growers Association is, therefore, guided by a sensible member's resolution calling for either legislation or action by the Secretary of Agriculture to place the nonrecourse corn loan rate no lower than 70 percent of parity. Current parity is \$3.28 per bushel. Thus a 70 percent loan would be \$2.30 per bushel. This loan should be made extendable at the option of the producer for 3 years in addition to the first year so the farmer retains control of the time, price, and place of sale of the corn.

Since after the first year any corn held under loan would represent a reserve cushion for the benefit of our consumers. Commodity Credit Corporation should pay the storage on same after the first year of the loan, and the producer pay the interest thereon if the corn is

redeemed by him during the period of the loan. Such holdover corn would be in complete control of the producer. This arrangement should dispel much of the adverse comment that has been leveled at complicated reserve programs in the past.

In the very unlikely event that the CCC would take over some of the loan corn at the end of 4 years, a minimum release price of 100 percent of parity should prevail on its holdings. At some time in almost every 4-year period, adverse weather conditions, either here or abroad, will cause substantial above-loan-price advances. We are now in a delicate, unpredictable weather balance between plenty and shortage.

Additionally, a land set-aside provision should be built into the new law as a safety valve, to be available to the Secretary in the event large stocks build up from full use of acreage. Many younger farmers do not remember the huge stocks of corn that built up under the full blast "freedom to plant" program of Secretary Ezra Benson in 1959 and 1960 that forced corn prices below a dollar. It took 5 years of restricted corn production between 1961 and 1966 to eat the stockpile away to reasonable carryover figures. As a result, a new generation of U.S. producers are now being misled into the idea that we can continuously operate a "free agriculture" profitably in a world market where governments of all other countries have strict control of agricultural marketing and prices. One example is the EEC where the threshold price is \$4.22 a bushel, and the difference between our sales price of corn to them and their price is used to pay subsidies to their agricultural programs. In other words, the U.S. farmer bears this cost for them.

TARGET PRICE SYSTEM

We do not favor the existing target price system, since if it ever comes into operation on large crops such as corn, grain sorghum, or wheat, it will immediately come under great public threat because of the cost to the Federal Treasury. Even now, both the Senate and House Agriculture Committee staff members, who have discussed this with us, have stated that the Office of Management and Budget is extremely sensitive to the maximum expense exposure of the proposed arrangement where the target price becomes the cost of production and the loan is set at some figure such as 80 percent of it. This association is not against the target price concept nor use of the cost of production for setting it. It just feels that it cannot stand up under budget pressures and be an effective price tool for corn farmers if we would have a 6.8-billion-bushel-plus crop to deal with. A 30-cent-per-bushel target price differential payment brought on by such a big corn crop would call for almost \$2 billion in payments. Grain sorghum would be in trouble simultaneously too, and the roof would likely fall in on the program almost immediately.

DISASTER AND/OR CROP INSURANCE

In this day of extremely high cash overhead costs of production, farmers certainly need some form of crop insurance to absorb the

major portion of their input costs in the event adversity strikes. How to fund such a program is a most complicated question. Further studies should be continued by the USDA and congressional committee agricultural staffs, along with private insurers. It would seem logical that if private insurers cannot produce a reasonable program, then the possibility of a new cooperative insurance company, structured with assistance from some element of the Farm Credit Administration, should be explored. The Bank for Cooperatives might be the vehicle. Meanwhile, the present disaster payment system as now provided under the 1973 farm law should be continued.

Since disaster payments, as well as possible future corn allotments, are based on each farm's share of the national feed grain allotment acreage, we believe that the national allotment should be set on the basis of the average of the total acreage planted to corn, barley and grain sorghum for the past 2 preceding years, including that for silage, hay, or pasture. This would eliminate the fictitious and unfair basis that now exists.

HISTORY LOSS

We recommend that no farm shall lose allotment base history due to failure to plant at least 90 percent of the base allotment.

SOIL CONSERVATION

Nothing is more important than the protection of our greatest of all national resources, the soil; yet it has been unduly exploited since the plow broke the Indians' land. We have done much to protect the soil in the past 40 years of farm programs, but it continues to be ravaged by economic, consumer, and political pressures. Total row crop plantings need to be reduced in our country. Economic incentives are the only way to achieve a reduction. We suggest that Congress consider legislation authorizing the Secretary to place a guaranteed price on oats which would induce corn farmers to plant it in place of corn or soybeans. Attractive conservation payments should also be considered for new seedings of meadow and hay. In addition, present programs for retirement of some land to wildlife protection plots should be expanded and stressed. The plow-up of fence rows and old pastures is continuing the destruction of our wildlife cover for the birds and animals that constitute our balance of nature.

EMBARGOES AND EXPORT RESTRICTIONS

We favor passage of legislation by the U.S. Congress which removes the ability of the executive branch of the Federal Government to act unilaterally in imposing export restrictions and/or embargoes. It should be required to present specific data to the appropriate committees of Congress to support a requested embargo or restraint and require their approval for placing it into action.

We wish to thank you, Senator Dick Clark, and the Senate Agricultural Committee for this opportunity to present this testimony.

Senator CLARK. Well, Walter, again you have presented a very concise and relevant statement that deals with exactly the questions that have to be resolved in this legislation. I think it can be very helpful to us, and I think you have presented the dilemma in the first couple of paragraphs. The problem is that with a carryover of 400 million bushels, we don't know which way to go. We could end up, if we got a terrible drought, with a shortage, and we could end up, as you say here, if we got a normal crop year, 95 bushels to the acre, with a 6.85 billion bushel crop.

You don't find it inconceivable that we could go to a 7-billion bushel crop, is that right?

Mr. GOEPPINGER. No. We had a 97-plus national average in 1972, and we have had genetic advances in seed corn development since 1972, and that has increased the potential of all corn yields. We see that in our national corn yield contest. Yields are going up practically every year, in the good areas where there has been favorable weather, so 100 bushels an acre wouldn't be out of the question. Thus, if we had 72 million acres, we could end up with a 7-billion-plus crop.

Senator CLARK. Well, now, that gets us to the whole question of the target price system, the loan rates, and so forth. You say that "We do not favor the existing target price system, since if it ever comes into operation on large crops such as corn, grain sorghum or wheat, it will immediately come under great public threat because of the cost to the Federal Treasury," and so forth. If we were to go to a loan rate without a target price system, and if we were to set the loan rate—you have got a figure in here, I think, of \$2.30 a bushel—that would be 70 percent of the parity for corn. Do you think if we got a—let's suppose we got a 6.8 billion corn crop, or 7 billion. Let's take the worst case, perhaps, since you have got to consider that. If we had a 7 billion bushel crop and we had corn pegged in the loan rate at \$2.30, and corn, let's say, goes down to \$2, and we had a 4-year loan, as you say here, do you think that this country could manage that amount of corn under loan?

Mr. GOEPPINGER. Well, first of all, I think that we have to recognize that probably our consumption—what our consumption is going to be, and that would be somewhere in the neighborhood of 6 billion bushels, or it might be 6.1 billion bushels, so it means you might have as a maximum under loan 600 to 800 million bushels. Several hundred million bushels of "Free" corn has to be in the pipeline at all times. Well, this is where your storage program must come into play.

Now, if this is proving burdensome, then you would have to bring into action the tool that we are talking about here of going back to a set-aside program. I don't think that we can tolerate in American agriculture 3 or 4 years, whether there is a loan program or not. Economically, farmers couldn't stand 3 years of a 7 or 8 billion bushel—7.5 billion bushel crop, and something would have to be done, so the sensible thing to do is to bring the tool into operation that you have hanging on the wall. Bring it down and use it, and that is initiate a set-aside again, and then wait for the time when there is a need for this corn under loan. We know from climatological his-

tory that there is only one chance in 100 years that we can have a decade where we have 8 good years in 10 like we had in the 1960's. The chances are that we are going to have more than 2 years of short crops in the United States during a decade. In these short crop years the supply is on hand to be there when the emergency exists. Also we now have a delicate balance in the world at large where they have now begun to depend upon us in a big way for exports.

We are well over a billion bushels every year on exports now, despite Russia's current better crop, and I might interject and say that we were in Russia this last fall, and a lot of this big Russian crop they talk about is on what they call, I would say, a wholesale basis. It is a non-cleaned-out basis, with a great deal of chaff and stalks, and so forth, in it. Talking with some agricultural people from Russia, Russians themselves, in the last month, they admit that what they obtained in the way of a 1976 crop, that 225 million tons isn't actually that much grain.

Senator CLARK. Let me get back to the problem that continues to concern me. You are saying that if we now have a 400-million carryover, 400-million-bushel carryover, and if it does 7-billion bushel—we are probably not going to get that much, but in the worst case, 7 billion—and you think that if we got a 7-billion crop, we would have about an additional 1-billion-bushel carryover, is that accurate?

Mr. GOEPPINGER. Right.

Senator CLARK. That would give us a total of 1.4-billion-bushel carryover in October of 1977, this coming October?

Mr. GOEPPINGER. Well, actually you wouldn't have that carryover figure at that time because you would start using that crop as of October 1.

Senator CLARK. I see.

Mr. GOEPPINGER. We would have on hand actually 7 billion plus the 400 million that we have right now. We would have 7.4 billion in the ensuing 12 months, and we would probably be using 6 billion of that.

Senator CLARK. So the surplus, so to speak, or what we had left over would be around a billion, and what you are saying is if this corn is under loan, if we don't have the target price system and this corn is under loan, under a 4-year loan, that the Government would actually not have possession of that in any appreciable amount for at least 4 years?

Mr. GOEPPINGER. They get no control of it whatsoever. It would be in the hands of the farmer, and the testimony that has been given ahead of me has pointed out the weaknesses of the storage construction loans we have had available to the farmers from the CCC. I think these points have been brought out and were all very good. We need to expand that storage program so farmers will build the storage on the farm, and it is out here where it is needed in the livestock economy where the major portion of our corn is consumed.

It is also here where we have the transportation facilities now with more grain trains and better elevators, and so on, to move it. It stays in the hands of the farmer then where it is to his benefit when the price rise does take place.

Senator CLARK. You are, in effect, building a reserve over this 4-year period on the farm under this 4-year loan program, and if you get a bad year, then you say you have got that reserve, and if you continue to build those stocks too high, then you go into a set-aside program and begin to cut them back.

Mr. GOEPPINGER. That's right.

Senator CLARK. OK. I understand. Thank you very much. We appreciate it.

Mr. GOEPPINGER. Thank you for giving us the opportunity.

Senator CLARK. We are going to hear next from Lowell Gose, Greene County, Rural Route 2, just west of Jefferson. He is president, incidentally, of the Farmers Union in the State of Iowa.

STATEMENT OF LOWELL E. GOSE, PRESIDENT, IOWA FARMERS UNION

Mr. GOSE. Senator, members of the panel, guests and fellow farmers: Your providing this opportunity to speak to the farm legislation question so promptly after the change in national administration is much appreciated by Iowa farmers. There are many uncertainties in the agricultural outlook for both the near future and the longer term that need attention.

The immediate need is an increase in commodity loan rates. Production costs are much higher than the present corn loan level of \$1.50 per bushel. At \$2.50 per bushel the loan rate on 1976 crop soybeans is even further than the corn rate from covering costs.

Loan rate adjustments, of course, could be made immediately since the authority to do so already exists in laws at hand. The top end of the permissible range for corn loans is 90 percent of parity; in other words, a top of \$2.95, based on the most recent USDA monthly price series. The soybean loan rate also could be set as high as 90 percent of parity; that is, up to \$6.55 per bushel, same recent basis as for corn.

Pending legislation to make 90 percent supports fully feasible after 1977, our Farmers Union's position meantime is that the rates should be much closer to the 90 percent mark than they are today. We think that upward adjustments could be made to a greater extent than is generally supposed without resulting in deliveries to the Government in loan settlement.

Presumably, your first consideration in drafting new legislation is to decide how much of the authority in the 1973 farm act should be brought forward for continuation. For example, should the set-aside safeguard against excessive production be included? I believe it would be prudent to do so. We would have been in trouble on unrestricted planting before now if it had not been for a run of adverse weather in other parts of the world. In 1976, better weather returned abroad, and we are now seeing its impact in much lower wheat prices. If weather in our western corn belt had not been so unusually dry this year, we would also be seeing some very unacceptable corn prices. Incidentally, if set-aside authority is continued,

a provision should be included for adjusting unduly low individual farm allotments. Also the national allotment should relate to all corn acreage harvested, whether for grain or not. Under Secretary Butz, the acreage history on corn not harvested for grain was excluded from the national allotment and leaving most producers with unreasonably low bases for disaster payment eligibility and target price supports.

The possibility of actually needing a set-aside program again will depend considerably on whether we so manage our carryover stocks as to moderate the effect of weather-caused supply and demand variations. Without some such management, wide price fluctuations are bound to continue. The inflow or outflow of commodity stocks, as required by circumstances, probably could be most readily managed if they were partly under Government ownership. However, in view of strong producer prejudice against that—some of it unjustified—the practical alternative is to seek the same result through appropriate provisions in the loan program.

The Farmers Union recommends that the loans be renewable at the farmers' discretion at the beginning of each marketing year; October 1 for corn. At each renewal, the interest and storage charges would be covered by the Government for those months of the previous marketing year during which the national average farm price for the sealed grain was below 100 percent of parity. A price rise to the point of ending Government coverage would thus be an indication of a need for return of some of the grain to the market. Some farmers could be expected to pay off the loan then and sell. The loans would not be callable, however, until prices were at 110 percent of parity or higher.

With respect to the target price provision, I have mixed feelings. As set forth in the 1973 farm act, it is based on conservatively estimated production costs and relates only to allotted acreage as narrowly interpreted by USDA. Even under Senate bill 275 introduced January 18, the formula indicates a target price for corn in 1978 of only \$2.28 per bushel. That would be \$1 less than corn parity as of last December.

We hope it can be taken for granted that the Congress will authorize continuation of the 1973 Farm Act provisions covering other major commodities, Public Law 480 export assistance, rural development, food stamp programs and food and agricultural research.

This concludes my statement, and I thank you for your attention. I might add that Bob Lewis, our national director, had previously asked all—when there were previous hearings in Washington, he presented a full comprehensive program which the Farmers Union had put together, and it was just simply much too long to present here.

Senator CLARK. Fine. OK. Now, as I read your statement, on the target price provision you have got mixed feelings about it. You are not prepared yet, as an organization, to say that you definitely want to do away with it or you definitely want to keep it?

Mr. GOSE. At St. Paul this coming week, we will have our policy-planning session. Our national convention will be in March, and at

that time I am sure a positive position will be determined in regard to it, but as of right now, I think the feeling is that they'd just as soon do away with the target and simply base it on the loan and resale program, which in previous years I have been a participant in, and I know it was a very good program.

Senator CLARK. Now, if we went to the nonrecourse loan, you have indicated in your statement that you would like to see us—I can't find it here exactly, but something based on something close to 90 percent of parity. Ninety percent of parity today would be \$2.95 a bushel, so you are talking about something in the range, I gather, of \$2.75 to \$2.95?

Mr. GOSE. Right.

Senator CLARK. Now, some of the witnesses we had this morning said, "Well, if we go to a high loan rate, you are just going to build enormous stocks and price ourselves out of the world market." You say here at some point that you don't share that view. Can you tell us why?

Mr. GOSE. Well, simply because it doesn't make any difference. All the land is going to be farmed, and you are going to have the same amount of bushels regardless of where the price is. There is just no other way, because a landlord is going to insist that his tenant farm it all as long as we are on an all-out production basis. I haven't seen anyone yet just simply reduce his corn acreage because he didn't think he was going to get anything out of it. The same bushels are going to be there eventually.

Now, in our national policy statement, we also have international grain agreements, trade agreements with pricing involved in them. We have had international grain agreements, but as of recent years, there has been no price, no floor, no ceiling. It has just been wide open, and the Farmers Union in these type of arrangements would prefer and almost—well, naturally recommend that there be pricing agreements in it.

I agreed with so much of what Walter said just previously. I guess the only place we varied a whole lot is over where the loans should be, and if you will think back, as I said, there is going to be the same amount of bushels. Now, the USDA has just come out with the cost of production estimate for 1977, and they right here have that it will vary between \$2.40 and \$2.60 per bushel, just the cost of production, so the Farmers Union doesn't believe that farmers necessarily should settle for the cost of production. As far as I am concerned, that is what I have been doing for the last 30 years.

Senator CLARK. OK. Thank you very much. We appreciate having your testimony and your willingness to come back before this committee several times. We appreciate it.

I am going to hear now from Mr. Peterson, a market consultant in West Des Moines. Glen.

STATEMENT OF GLEN PETERSON, REPRESENTING THE FARMERS GRAIN AND LIVESTOCK CORP., WEST DES MOINES, IOWA

Mr. PETERSON. Thank you, Senator. I am an employee of Farmers Grain and Livestock Corp., West Des Moines. Senator, I have submitted several copies of our written statement, so I think, in the

interest of time, I will just go through and comment on the highlights.*

Senator CLARK. Good.

Mr. PETERSON. Our reason for desiring to be at this hearing today is, as a market advisory firm, we serve approximately 18,000 commercial farmers, a few agricultural-related businesses, mostly in the Midwest, so we do feel like we have a pretty good touch with what the farmers are thinking.

We wanted to provide our clients an opportunity to express their opinions on this issue, so recently we conducted a survey which was to send a questionnaire to each of our 18,000 clients asking them to submit their views on points that should be included in the upcoming farm legislation.

Our gratification, I suppose, showed when we received over 3,500 of these back. I admit that that is a fairly good return on any mailing questionnaire.

The points that I would like to point out that we saw in this questionnaire when it came back—the No. 1 question that we asked them was what type of Government farm program they wanted. Specifically, we asked if they wanted one in which there was no Government effort to stabilize price, or if they wanted a program that would, in fact, try to stabilize farm prices. It seemed to us that there were these two alternatives. Not all of them answered this question, but 2,600 said they wanted no effort by the Government on price stabilization. Four hundred and sixty said that they would prefer such legislation.

Senator CLARK. 2,600 to 460?

Mr. PETERSON. Yes. Out of the ones who answered that, the 2,600 were about equally divided whether they wanted a minimal loan program or whether they wanted no program at all, so we weren't able to take a reading, really, on which route they preferred to go in that respect.

Senator CLARK. Well, I must have misunderstood you. I thought the 2,600 said they wanted no stabilization program.

Mr. PETERSON. They wanted no Government program that would be set at a level that would have the effect of stabilizing farm prices.

Senator CLARK. I see. In other words, you could argue that the minimum loan program would not do that in any case?

Mr. PETERSON. Correct; similar to the type of program that we have been under now.

We presented them with several different levels of Government loans. There wasn't a really clear reading on that, but the larger number opted for about a \$2 loan on corn and about a \$2.50 loan on wheat. We didn't specifically ask them if they wanted anything on soybeans or the other crops.

I might point out that we don't consider our role, of course, as being a place to advise Congress on how to draft farm legislation, but it appears to us that the farmers were trying to tell us two things, and I think this is really the highlight of it. No. 1, they do want to farm in a free economy, but the second thing is they do recognize

*See p. 210 for the prepared statement of Mr. Peterson.

that there is at least some need to be protected against major economic setbacks that could have the effect of destroying our economy.

I think, if we read them right, that what they are looking at is a program similar in scope and purpose as what we have in unemployment insurance. It is not something that is meant to supplement your income, but it is something that will keep you alive until better times come. That seems to be what they are trying to say.

Two other additional points I think should be brought out from this. Farmers seem to be willing to extend short-term economic loss in order to prevent a buildup of surpluses. They seem to be willing to undertake that risk. The other thing I think they are trying to point out is that they don't want any type of a program that will provide an incentive to produce. I think they recognize that this is disastrous.

That, Senator, is the essence of what the survey undertook. We didn't address ourselves at all to the question of target price or, for that matter, any of the other issues that would be involved in the farm bill. These are the issues, of course, that affect us.

Senator CLARK. Do we have the results of those questionnaires for the record?

Mr. PETERSON. I have a copy of the questionnaires.

Senator CLARK. Good. Can you generalize at all about—you had about 3,500 who answered this questionnaire, but what kind of farmers would they be? I mean are they people out here around the countryside in this county or around areas of that kind?

Mr. PETERSON. Yes, I think so. I think they could be categorized as generally average, probably a little larger than average, but certainly not confined to larger farming.

Senator CLARK. A little larger than average. Where are they located, generally?

Mr. PETERSON. Generally the Corn Belt and the Wheat Belt.

Senator CLARK. Good. OK. Thank you very much. We appreciate your testimony.

Next we are going to hear from Dave Kozicek, Williamsburg farmer and national director of the National Farmers Organization. Let me just say, so that the others will know, we are going to hear from Ed Schettler of Palo Alto County, Emmetsburg, and Arthur Kirchoff of Polk County following that.

Go right ahead.

STATEMENT OF DAVE KOZICEK, REPRESENTING THE NATIONAL FARMERS ORGANIZATION, WILLIAMSBURG, IOWA

Mr. KOZICEK. Thank you very much, Senator.

Senator CLARK. You are a national director of the National Farmers Organization?

Mr. KOZICEK. Yes. I live in Iowa County, Williamsburg, Iowa, and have a primarily corn and soybean farm at this time, livestock.

Senator CLARK. We are very pleased to appear before you today and deeply appreciate your sincere interest in framing legislation that will be of real help to our Nation's food producers.

National Farmers Organization, as you know, believes farmers must work together to price their own products. Until this can be done, though, it is our view that a farm program is essential as a means of supporting the family farm structure by sharing the risks involved in intensive production efforts.

We have had 2 years of abundant crops, even though certain regions suffered devastating drought. The immediate result of this farm success has been a dramatic slide in grain prices and economic hardship for our producers. Current loan levels for grain are set so unrealistically low that they have not offered the slightest possibility of undergirding this market at a price level which could return our farmers their current operating expenses. Clearly the grain loan rates written into current farm legislation richly deserves to expire.

This means that as spring approaches, many farmers will be facing bankers who are increasingly reluctant to risk the necessary financing for this year's crop. For many producers, the only way to keep farming is to go deeper in debt, an alternative which only forestalls the financial day of reckoning. Without improvements in prices for grain and cattle, liquidation, foreclosure and bankruptcy will not be far behind.

Because the loan rate often sets the market in times of overproduction, we would like to address ourselves to that feature of the bill first. While we are not prepared with specific figures at this time, we feel the cost of production formula used as the basis for the proposed loan rate in the Senate bill are too low. I would like to digress slightly from my written testimony because the figures weren't available.

At our recent national convention in Milwaukee, Wis., which took place the first week in December, approximately 8,000 delegates and members of NFO got together and figured out their cost of production, and they established the average cost at that time of wheat to be \$4.95 a bushel; corn, \$3.20 a bushel; soybeans, \$7.55 a bushel, and other feed grains would be in relation to that. We have a formula to figure those. I included a cost production sheet here which I will leave with you, and I also left a worksheet with Bob that consists of figures for my own farming operation as far as the cost of producing corn.

Senator CLARK. They will be made a part of the record.

Mr. KOZICEK. Yes. While we would not expect that production figures would reflect the whole current market value of land, which has been purely speculative in many cases, we fully expect that any worthwhile cost of production formula would incorporate a reasonable measure for land and management costs in addition to the annual operational cost of the farm. Once established, our organization would favor loan rate levels of approximately 75 percent of a true cost of production figure. It does not seem likely that the cost figures used in preparing this bill represent a true and accurate picture of current costs of production.

While we are in general agreement that the target price concept may be necessarily retained, the price levels at which they are set over and above the loan rates is largely a matter of budgeting. We feel

that great care should be taken not to create an unreasonably wide range of exposure to the treasury in the setting of these levels.

It is equally important that this bill address itself to the problem of increasing farm storage facility loans and provide incentive for resale for long-term storage. This is very necessary for the orderly management of carryover stocks, and is a problem that must be confronted in the upcoming legislative procedures. We strongly support the concept of on-farm storage of surplus grain supplies. Among other advantages of such a system, is the retention of quality maintenance and marketing decisions in the hands of the individual producer.

We are very pleased to denote that the proposed legislation covers a 5-year period. Such a time frame allows more reassurance to producers and bankers in the formulation of long-range planning and financing which is an integral part of sound farm management. We fully share the Senate committee's view that this is a necessary and desirable feature of a new farm bill.

In closing, let me compliment the committee on its speedy introduction of new farm legislation. In view of the importance of an adequate supply of food and fiber and the shortcoming of our energy resources which our farm exports helped purchase, the Nation cannot afford to continue to gamble on a healthy farm economy.

We appreciate this opportunity to present the views of the National Farm Organization.

Senator CLARK. Thank you very much. Your timing is pretty good. Your last word was right on the bell.

Mr. KOZICEK. We like to work pretty close to the wire.

Senator CLARK. Good. You say a loan rate in excess of \$2 for corn?

Mr. KOZICEK. Yes.

Senator CLARK. Has your organization taken any kind of position more specific, or are you talking about—that could be anything from \$2 to \$2.99?

Mr. KOZICEK. Right. Now, this is a portion of the—I could give you my copy I have here. I start that portion of it in a later paragraph; we relate to 75 percent of a true cost of production figure, and this is why I want to enter into the record the actual cost of production figures as determined by farmers at our convention, so 75 percent of this rate is what we would be talking about, and I have a copy here for you of what those prices would be.

Senator CLARK. You figure in your survey that the cost of production is at \$3.20, so you are talking about 75 percent of that at the current time?

Mr. KOZICEK. Yes, yes. This, of course, would be revised from time to time and updated as your costs would vary.

Senator CLARK. Right. Now, do you have any particular views, or does your organization, on what we might do in terms of disaster provisions? Have you had any discussions on that? Some people here—I think maybe Walt Goeppinger, and others—have talked about the possible—oh, the first witness talked about the possibility of going to some kind of crop insurance program, a flat crop insurance program that would cover everybody. What do you think of that idea?

Mr. KOZICEK. Our organization specifically hasn't discussed that to any great extent. I think my personal feelings on that—I have been fairly well satisfied with the way that the Federal crop insurance plan has operated. It doesn't cost a lot of money, but in times of a disaster, it does help you cover your out-of-pocket costs. Possibly we could have some revision in the disaster payment system itself. I haven't followed this real closely, but in light of some of the recent disasters that we have had, I feel that the disaster payment loan has been almost insignificant and, well, frankly, there is too much red-tape to get qualified to get in on it.

Senator CLARK. Do you think that crop insurance ought to be available to any farmer in the country? Now we have the problem, you know, of certain areas not even being able to get it.

Mr. KOZICEK. Yes. This is a problem. I would surely think that it should be available to any farmer in the country. You would probably have to adjust your rates or set up a different type of financing program.

Senator CLARK. Right, right. OK. Thank you very much. We appreciate it.

We are going to hear one more witness, and then maybe we will take a 5-minute break, and then we will come back. Ed Schettler of Emmetsburg, a farmer near Emmetsburg. Go right ahead.

STATEMENT OF EDWIN SCHETTLER, EMMETSBURG, IOWA

Mr. SCHETTLER. Mr. Chairman, my name is Edwin Schettler, and I am a soybean, corn, beef, and pork producer in Paltto Alto County, Iowa. Speaking on behalf of the soybean farmers in Iowa, we certainly appreciate the opportunity to present our views concerning the relationship of soybeans to the Federal Government, and specifically the farm bill that will be proposed during this session of Congress.

Our greatest desire is to have the freedom to plant as many or as few soybeans as we wish, and the freedom to market those soybeans as we see fit. Last year we conducted a \$4.7 million program designed to increase demand for soybeans in world markets. Since the U.S. consumer can use only 50 percent of the soybeans we produce, naturally we must find buyers for the other half. As one of the largest soybean-producing States, Iowa farmers invested about \$800,000 last year in this market development effort. Other States brought the total investment by farmers up to \$1,740,000, or an increase from only \$700,000 in 1972-73. Contrastingly, the Foreign Agricultural Service in the U.S. Department of Agriculture invested \$1,553,000 last year, an increase of only \$13,000 over their investment in 1972-73. Therefore, in terms of real dollars or buying power, we are not keeping our head above the water because of the recent period of tremendous inflation and devaluation of the dollar. In short, we must have increased appropriations to assist in developing markets for our products.

We must also invest more funds in production research. Soybean yields have not kept pace with yield increases of other crops because soybean production research has been drastically underfunded throughout the history of soybean production in this country. Corn,

cotton, and tobacco were the first commercial crops produced, so these crops have at least a 400-year historical base. From that foundation, they have built a fantastic research institution. However, the crop that is most important to Iowa and most important to the United States, in terms of export income, was not even recognized in USDA statistics until 1924.

When you look back 400 years, it is easy to understand how a crop that is a relative youngster can be shortchanged in Government appropriations, but when viewed in proper perspective—that is, its contribution to the economic and nutritional well-being of not only Iowa farmers, but families throughout the world—soybean research should receive top priority.

We respectfully request that Congress act immediately to assure the efficiency of grain and soybean transportation. I refer to Lock and Dam 26. Since 50 percent of our soybeans are exported and half of those exported arrive at the port in barges, it is imperative that we remove the bottleneck caused by that dilapidated structure, Lock and Dam 26.

We favor a loan program based on policies that protect soybean producers from economic disaster but does not lead to excessive carryover stocks or encourage foreign production of competing crops. We recommend legislation that will both improve and expand the Federal crop insurance program to make it available, with expanded benefits, to more people in more areas. We also must go on record as opposing an arbitrary ban on pesticides by EPA without sufficient proof of harm to humans or the environment.

We also oppose inclusion of soybeans in any U.S. Government-held grain reserve, and urge the Commodity Credit Corporation to liberalize its farm storage facilities program so as to encourage more on-the-farm storage.

Senator CLARK. Good. We appreciate very much the Iowa Soybean Association's views on this. I want to particularly ask you this. I gather from the next-to-the-last paragraph, that you do favor a loan program for soybeans. You say you favor a loan program based on policies that protect soybean producers from economic disaster but does not lead to excessive carryover stocks or encourage foreign production of competing crops. If we continue the target price system, do you think soybeans ought to be included, or should we leave them out?

Mr. SCHEITLER. I think they should be left out as in the past.

Senator CLARK. Do you have any kind of judgment at all for this committee in terms of how we meet this request of yours in terms of dollar amounts? You say that the policy should protect soybean producers from economic disaster but not lead to excessive carryover of farm products. Do you have any idea at all where that figure might be, in your judgment?

Mr. SCHEITLER. The ASA national board and State presidents met the first week in December, and they decided this should be based on 65 percent of the entire cost of production, including land, and from the figures I have seen, if you average this all over the Nation, the

average cost of production would come to around \$5.50, and 65 percent of that would be in the neighborhood of \$3.50 a bushel.

Senator CLARK. \$3.50 a bushel. What is it right now?

Mr. SCHETTLER. \$2.50.

Senator CLARK. So about a \$1 increase, according to those figures?

Mr. SCHETTLER. Yes.

Senator CLARK. Thank you very much.

Mr. SCHETTLER. I would like to have you put a copy of the 1976-77 ASA resolution in the record.

Senator CLARK. We will put it in the record immediately following your testimony. Thank you.

We are going to take just about a 5-minute break now. Then that will leave us with an hour and a half, and in that period of time I think we can complete the witnesses and perhaps have time for some other comments.

[Short recess.]

Senator CLARK. I found out when I walked out from here that it is warm every place but down on this floor. I am not sure why we are down here.

We are going to go ahead now. Art Kirchhoff, who I have seen here. Good. Come right on up, Art.

Let me say that following Art's testimony, just so that you will be ready, is Glen Taylor, Iowa Farm Bureau, and then Delwin Cross of LaGrange, so those will be the next two witnesses after this.

Well, Art, I am going to try to get a little more order here before we start. I have a feeling I lost some.

Mr. KIRCHHOFF. Well, maybe they will quiet down when I start speaking.

Senator CLARK. I am sure they will.

STATEMENT OF ARTHUR KIRCHHOFF, EXECUTIVE DIRECTOR, IOWA DAIRY PRODUCTS ASSOCIATION, ANKENY, IOWA

Mr. KIRCHHOFF. Thank you, Senator. We appreciate this opportunity to appear before you today and present the position of our association, and this is our position on national issues taken from the resolution of the Iowa Dairy Products Association.

This is a State trade association organized for the purpose of representing the interests of dairy producers and their processing and marketing associations. The following resolutions adopted by the IDPA are submitted for your consideration:

IMPORTS

The imports of manufactured dairy products and concoctions containing dairy ingredients have in the past disrupted normal marketing and pricing of milk and dairy products to the point that producers and processors have suffered irreparable financial losses. The U.S. dairy industry will have marketing problems whenever these products are permitted to flow freely into this country. All imports of products containing any milk ingredient should be subject to

regulation with a billion pounds milk equivalent maximum, and countervailing duties shall be applied whenever any form of subsidy is paid by exporting countries.

The expansion of imports quotas in any manner or for any reason will be very destructive to the maintenance of a sound, viable dairy industry in this country. Therefore, we shall vigorously oppose all attempts to further expand or suspend the import quotas for dairy products. Imported edible casein that replaces nonfat dry milk should be classified on a milk equivalent basis.

We favor an import control program which would assure that milk used in the production of imported dairy products was produced by disease-free cattle under sanitary conditions and that such dairy products are processed and handled in sanitary facilities. Such cattle, farms, raw milk, and facilities should meet standards equal to those recommended by the U.S. Government for application in this country. An appropriate U.S. agency should certify that such standards have been met, and the cost of certification shall be charged to the exporting countries.

We also favor rigid port of entry inspection and grading of imported dairy products to help assure that all imported products meet U.S. Government standards for such products.

SOIL CONSERVATION

Farmers should be encouraged to shift land use through a conservation program to soil-building practices that adjust agricultural production to market needs. We insist that jurisdiction over soil conservation and related activities must reside in the Department of Agriculture.

Because the whole program of water and soil conservation is so essential to the general welfare of all people, the agricultural conservation payment program should be continued.

FEDERAL ORDERS

We support the practice of Federal order marketing for milk. However, we believe that Federal orders must be updated and adjusted to meet today's rapidly changing economic status and marketing methods.

PRICE SUPPORTS

Price stabilization for dairy farmers can best be achieved under the principles of the Agricultural Act of 1949. This involves a price support program for milk, coupled with adequate domestic and foreign distribution programs.

Price supports for milk on a long-term basis at maximum levels reflecting current market conditions provide for necessary market stability and prevent unreasonably low farm prices. When properly administered, the act will permit the market price to go above the support level, thereby creating an incentive for farmers to continue dairy operations.

The support purchase prices for manufactured dairy products

should be established quarterly at such relative levels as will support the price of milk for manufacturing purposes at the same level, regardless of the product manufactured.

SPECIAL MILK-SCHOOL LUNCH

The special milk program and the school lunch program are two excellent ways whereby extra benefits may be derived through greater use of milk and dairy products in improving the diet and health of children. These programs should be continued with adequate funds to encourage greater participation.

FOOD STAMPS

The Federal Government food stamp program has helped to provide low-income families with adequate food for a good diet. We believe that the food stamp program costs should be charged to the Department of Health, Education, and Welfare, or at least that the general public should understand that these are not costs that should be charged to agriculture.

ENERGY

We recognize there are energy limitations in this country; therefore, we favor the use of energy conservation measures by all users and priority allocation when necessary to assure adequate supplies of energy for food production, processing and distribution.

That is what we would like to present to you today, and we will expand on these later, and if you have any questions, we will try to answer those and be in touch with you.

Senator CLARK. Very good. I might say that Mr. Kirchhoff is executive secretary of the Iowa Dairy Products Association, and I particularly agree with one statement on the first page. You say, "We also favor rigid support of entry inspection and grading of imported dairy products to help assure that all imported products meet U.S. Government standards for such products." It just doesn't seem to make any sense to have an import program in which you have a lower standard for the imported product than you do for the products you produced yourselves. It just doesn't make any sense.

Mr. KIRCHHOFF. This is definitely true, and there is only a small part of the imported products that are tested at this time, and of the testing that is being done, they do find a considerable level of pesticides in these, and our dairymen in this country cannot get by with selling that type of product. We have to keep our products clear and clean.

Senator CLARK. That's right. Now, do you prefer, in terms of support prices, to operate on a basis of parity or a cost of production, or some other basis?

Mr. KIRCHHOFF. Under the present law, we have a variation of costs between 70 and 90 percent of parity, and right now it is 80 percent of parity, the support figure is. It may be that we will be requesting 85 percent a little later. As I understand it, 80 percent of parity by April 1 might get you about \$8.53 or about that level. We

don't know just what the parity figure might be, but that's approximate. Dairymen are just hanging on at these prices. They are just barely breaking even.

Senator CLARK. Where do you think the right support level should be? You say you are at 80 percent now.

Mr. KIRCHHOFF. I believe eventually we are going to have to go to 85 percent to maintain adequate supplies in this country.

Senator CLARK. Thank you very much. We appreciate it.

Mr. KIRCHHOFF. Thank you, sir.

Senator CLARK. We are going to hear now from Glen Taylor, representing the Iowa Farm Bureau.

STATEMENT OF GLEN TAYLOR, IOWA FARM BUREAU, DES MOINES, IOWA

Mr. TAYLOR. Thank you, Senator. The Iowa Farm Bureau appreciates the opportunity to present this statement to the Senate Agriculture Committee to this hearing process, and we want to commend you, Senator, for seeking the viewpoint of Iowans on this very important subject.

Although the Farm Bureau did not support the present Agriculture Act of 1973 when it was passed, it has worked fairly well and farmers seem happy with the program. The loan levels have been kept at a level that has not resulted in the Government acquisition of commodity stocks. Market prices have generally remained above the loan rate.

Delegates to the recent annual meeting of the American Farm Bureau went on record to support an extension of the principal provision of the act of 1973 with respect to wheat, cotton and feed grains, provided that this act is not amended in ways that would: (1) Make farmers dependent on Government payments on a continuing basis; or (2) establish a Government-controlled stockpile of agricultural commodities.

We believe new legislation should not expire during an election year. There will be a better climate to discuss farm legislation in 1977 than there would have been in 1976.

One of the most controversial aspects of farm policy is the level of price support guarantees. We want to emphasize the difference between market price levels and loan rate levels. We believe the present market price for grain, particularly corn, is too low. The current price of land and present production costs would justify a higher price for corn than presently prevails. On the other hand, the loan level should be retained at a reasonably low level. A significantly higher loan rate may encourage acreage expansion and increase production to the point where surpluses prevail, the market price declines, and the guaranteed loan rate becomes the price farmers will receive. They would not be able to operate long with such depressed prices.

Farmers believe it would be a serious mistake for the Government to return to a policy of taking custody and control of grain supplies. This policy in the past resulted in depressed prices and low farm income for many years. This can be avoided by setting loan rates at

reasonable levels and continuing a trade expansion policy where agricultural exports can be maintained at a high level. A high level of farm exports is needed to maintain reasonably satisfactory commodity prices and an overall favorable trade balance.

We oppose governmental restrictions on the sale of agricultural products in world markets. Decisions affecting agricultural exports should be made with full participation by farmers and the Secretary of Agriculture.

We believe it is unwise to have a Government-controlled grain reserve. Reserve supplies of corn are up 9 percent in Iowa and the Nation, compared to figures for a year ago. Corn reserves in Iowa are over 1 billion bushels, and nationally corn supplies are about 5 million bushels. About 70 percent of the corn supply in Iowa is held by farmers, and nationally about 60 percent of the corn reserves are on the farms.

Soybean stocks are down some this year compared to last year, but soybean stocks still are a little more than 1 billion bushels. Almost one-half of the stocks are stored on farms.

The USDA's disaster relief programs have come under considerable controversy during the last year. The various types of relief programs are not well understood by farmers.

Emergency or disaster-type programs have been available for disaster payments, emergency loans, livestock feed, crop insurance, emergency services and emergency conservation. These programs are administered by four different Government agencies—the ASCS, FmHA, FCIC, and Federal Disaster Assistance Administration—Obviously, it is difficult for the farmer to know what might be available in terms of program help and where to go for assistance.

Attempts should be made to remove inequities and abuses of the existing programs.

Finally there is the question of whether or not the Government should establish programs and hire all the necessary people to administer them, or whether private insurance carriers should be encouraged to offer "all-risk-type" insurance programs that would be available to all farmers on all crops. Private insurance carriers may be able to offer farmers as much protection at less overall cost than Government-administered programs can provide.

I would suggest that the committee examine carefully the feasibility of an expanded crop insurance program to be offered by private carriers with the Federal Crop Insurance Corporation providing, perhaps, some incentive programs, some assistance in premium, or whatever, and reinsurance services.

That concludes our statement, Senator, and thank you very much.

Senator CLARK. Thank you very much. Let me ask a couple of questions. One of the major parts of your testimony is the third paragraph. You say, "Delegates to the recent annual meeting of the American Farm Bureau went on record to support an extension of the principal provision of the act of 1973 with respect to wheat, cotton, and feed grains," with certain provisions. Basically then you would feel that we should continue the target price system and the nonrecourse loan program?

Mr. TAYLOR. We had real apprehensions about the target price in 1973, and that is one reason we had opposed it, but it hasn't been significant, we don't think. It hasn't caused much problem, so we have to follow it, so we are supporting essentially the general provisions of the act of 1973 if loan prices are left at a reasonably low level so that they don't get us in trouble.

Senator CLARK. You say, on the other hand, that it should be retained at a reasonably low level. In terms of guidance, would you care to talk about any kind of general figures as to what a reasonable price would be? Our problem is to determine the reasonableness of the price.

Mr. TAYLOR. Right. I suppose that should be left somewhat to the discretion of the Secretary to set that at a certain level, but I guess we don't have a dollars and cents figure, and as we talked about it, it varied from quarter to quarter, and certainly from year to year. If inflationary conditions continue such as they have, what might be a reasonable figure this year might be too low next year, and so on and so forth, and so it does have to be—it has to be set and adjusted.

It should be considerably below the general market price level, in our opinion. We are talking about market price of \$2.25 or \$2.30. Then I suppose an extra 20 cents over what we got, or whatever, 25 cents, would not create any particular problem.

Senator CLARK. What do you think about the draft bill that Senator Talmadge has put together? He is talking about starting off, at any rate—there is nothing untouchable in any of these, but he is talking about a target price of \$2.28 and a loan rate of \$1.71. How do those figures impress you?

Mr. TAYLOR. Probably the target price at that level would be somewhat too high, in our opinion. At that level we would have apprehension that it would bring in additional products to the place where we might get into trouble.

Senator CLARK. And the loan rate?

Mr. TAYLOR. The loan level at \$1.50, \$1.70, in that bracket, or \$1.75, probably would not hurt anything, and it would offer farmers some production costs through the loan program. That is really the purpose of it, so you get production cost money to tide you over, and so there is really no need to go to the ultimate very topline dollars that you can get for that.

Senator CLARK. Now, there was some discussion here about the possibility of extending the loan program to a 4-year loan. Do you have any particular reaction to that?

Mr. TAYLOR. No. I am sure we would have no question about that. There are some advantages to having it for a longer period of time than a single year.

Senator CLARK. There have been four or five witnesses here who have proposed that the Federal Government make money available again for loans for building storage. You are emphasizing here for storage on the farm, and so forth. Do you think that would be a good idea?

Mr. TAYLOR. Well, certainly a sound, fiscally-responsible loan program for the construction of storage facilities would be desirable. It

should be pretty much self-financing, perhaps a relatively low rate of interest, but it should be self-financing for the most part. It would be very helpful, very desirable.

Senator CLARK. Thank you very much. I appreciate it.

Mr. TAYLOR. Thank you, Senator.

Senator CLARK. We are going to hear now from Delwin Cross, Kilduff, Iowa, Jasper County, and Master of the Iowa State Grange. I am very pleased to have you here representing the Grange.

**STATEMENT OF DELWIN CROSS, MASTER, IOWA STATE GRANGE,
KILDUFF, IOWA**

Mr. Cross. Thank you, Senator Clark. We of the Grange feel that there are many areas that could be covered in a new farm program and are of great importance to both the farmer and the consumer. I will not try to cover all of the areas that we feel important, but will try to present our views on a few of the major issues.

Let me say first that I am going to be talking about a guarantee price rather than a target price, because it is our feeling that we would like to see the name changed to a guarantee price rather than a target price. When you are talking about a target price, it is something to shoot at.

Senator CLARK. I think that is more accurate because you are really talking about a guarantee price when you say target, aren't you?

Mr. Cross. We think perhaps this would have a little better taste to everybody if you say guarantee price. We feel that a new guarantee price should be established, taking into consideration all out-of-pocket production costs such as energy, fertilizer, seed, and a moderate share of land costs. This guarantee price must not reflect the full cost of production.

Nonrecourse loans available to the farmer for on-the-farm storage up to the amount of 2 years normal production of his farming operation.

Nonrecourse loans for feed grains, wheat, soybeans, and cotton stored on the farm. These loan levels must be movable above and below guarantee price.

The emergency funds available for disaster areas administered by the U.S. Department of Agriculture.

A broad-ranged crop insurance program for corn, wheat, oats, grain sorghum, barley, cotton, and soybeans available on all productive land, available through farmer-elected committees, based on sound computations of normal yields of the area in question, and include special risk-sharing agreements for disasters that prevent planting.

In the event of the establishment of a grain reserve, that it would be legally established and a national reserve program held in these ratios: 80 percent in the hands of the farmers and 20 percent Government-owned. That held by farmers in their on-the-farm storage under Government loan could be called for only when the price of the commodity in question reached no less than 140 percent of the guarantee price. That held in Government storage could be marketed only when

the farmer-held 80 percent is depleted, and then only when the commodity price had reached 200 percent of guarantee price.

Thank you for this opportunity to present these views.

Senator CLARK. OK. They are very concisely presented, and I think they are very helpful. Has your organization taken a position with regard to grain reserve? I notice you say here, "In the event of the establishment of a grain reserve," and then you go on to say how that ought to be held and how it can be isolated from the market. Have you taken a position generally on whether it is a good idea or not to have a reserve?

Mr. CROSS. We have at this point said that if a grain reserve was seen needed—and we feel that probably there will be a need in some time in the future—that it be established in this sort of a ratio. The thing that we are striving for is—in the past, the experience of the Government when they had large holdings and dumped them on the market, they depressed the market. This is the thing that we are—

Senator CLARK. That's what you are worried about?

Mr. CROSS. We are looking for some way to establish a more level market. These high ups and downs don't do the producer or the consumer any good.

Senator CLARK. What do you think of these prices in this draft proposal of Talmadge where he was got—well, he says "target." You are going to say guarantee price—at \$2.28 a bushel and the loan rate at \$1.71? How does that strike you?

Mr. CROSS. Well, I think they are within reason. As we said here, the thing is that the guarantee price must not reflect full cost of production. We can see several areas here where problems could develop for farmers, and this would—if you get it up until where large corporations are guaranteed a price, cost of production, right away this opens the door for more large corporations moving into farming. I don't think this is any good for the farmer or the consumer, either one.

Senator CLARK. Thank you very much. I appreciate seeing you again.

Mr. CROSS. Thank you.

Senator CLARK. Now we are going to hear from Crawford County, Harry McMahan, and his occupation is sales promotion, sales to smalltown branchline railroads, and you are from Manilla, aren't you?

STATEMENT OF HARRY R. McMAHON, MANILLA, IOWA

Mr. McMAHON. I am a walk-in. I was just driving down the road and heard on the radio that you are entertaining here this afternoon.

Senator CLARK. We don't have any doughnuts.

Mr. McMAHON. I am sorry I missed those, but I am on a diet, so it is all the same.

Now, I live in a small town of 996 population. For 3 or 4 minutes let me indulge these people's time here to see if we small towners can get in on the act of getting some help, because every time 12 of those folks go out of business, one of us does, and I suspect every time one

of us goes out of business, that does something to them too. I think there is an interaction. In other words, we volunteer in Manila to be identified with the farmers, and we are very happy to be considered as farmfolk.

Now, what we need—you are going to say that you can give us a swimming pool. That's true. We would be glad to have it. Cleanliness is next to godliness, but that's not what we really need. In a small town, what we really need first is help in telling us what kind of businesses we need so we can serve the farmer customers that we have. Thirty years ago, the extension service up at Ames had something of that sort. Apparently they do not today, but there should be someone who will tell us, for the size of our trade area, how many different kinds of businesses we need so that the farmers in our trading area will not consider our business district to be deficient. If you can give us any help on that, directly or indirectly, we will be very glad to have it.

The second thing we need is anything that you can do to maintain the population of these folks around our town. The population is still falling. We think it is going to turn, and we intend that it will, but every time we tear down or destroy an unoccupied farmhouse, there is one less family that can live in our bailiwick; anything you can do to keep wage earners out on the acres is in our favor; and third, by the same token, we need fire protection. Every time one of those old farm buildings burns, it is not rebuilt. Every time one of our business houses burns or is destroyed, like the one in Defiance, it is not rebuilt, so anything you can do on fire protection is in our favor too.

Fourth, we are going to need water supplies here. Just as these farm people are beginning to have a tight squeeze on water, so are we small townfolk, and I can foresee a water famine in this State within 5 years, so again any help you can give us on that, well and good.

The fifth thing that I would ask for is: We think that these farm people need a way to raise capital so that the young people who are capable of becoming real farmers and deserve to have a chance can get in. Every few days when I am out on farms, I run into someone that is moving off the farm because he either must buy a big spread or move to town. He hasn't got the money, and he can't get it. Now, I am not asking for capital for us in town, because we have capital coming through other means; but of these young farm people, some are capable of being real farmers in the old tradition and they deserve to have a chance to start.

That is my plea this afternoon. As I say, I am a walk-in. You didn't know I was coming, and I didn't know myself until 10 minutes ago.

Summarizing, we need 5 items of help in the small towns so that we can function as servants and suppliers of our surrounding farm population: Help in planning, so that we can offer one-stop service; help in maintaining farmer population, so that we will have customers for our improved one-stop services; improved fire protection (farm and small town), so as to improve the quality of life, farm and small town; improved water supplies, so as to support our improved quality of life, farm and small town; and new capital sources to enable deserving young farmfolk to get into farming.

I omitted mentioning improved health care, the reason being that you are already way ahead of me there in your advocacy of the satel-

lite medical center clinic for small towns. I endorse your advocacy of the satellite center, and I commend you for your outstanding performance in exploring that field. I also commend and thank you for your interest and action in farmer and small town affairs, both because we need it so badly, and also because you are the only parties that I know to be genuinely interested in our predicament and our fate.

Senator CLARK. That is excellent. What you are talking about is what we call in this committee rural development and how we associate farm income and farmers with problems in small towns, and it is an enormous problem, especially when you realize that in this State something over a third of all the people live in these small towns. They are very closely tied to the whole problem of farm income and farm problems.

Mr. McMAHON. Incidentally, there was a proposal, I think in the Senate today to transfer small business to the agricultural department. As a small businessman, I would go for that because I have a great deal more in common with these people than I have with the U.S. Chamber of Commerce any day. That is right, let me assure you.

One more thing. I worked with you 2 years ago when we were saving the Rock Island Railroad. We were successful. We can take a bow. We look forward to working with you again. Thank you. Good luck to you.

Senator CLARK. We are going to hear lastly from a panel of three Iowa State professors, if they will please come on down. Let's see if we can get three chairs right here together. Let me introduce these gentlemen. Gene Futrell, Everett Stoneberg, and Charles Gratto, all professors at Iowa State University, extension economists. We are delighted to have you here.

Come right on up here together, and we can kind of move the microphone around.

STATEMENT OF GENE FUTRELL, EXTENSION ECONOMIST AND PROFESSOR OF ECONOMICS, IOWA STATE UNIVERSITY, ACCOMPANIED BY EVERETT STONEBERG AND CHARLES GRATTO, IOWA STATE UNIVERSITY

Mr. FUTRELL. Thank you very much, Senator Clark. What we propose to do is present a statement, which I will present. If there are any questions, the other colleagues that I have here will respond to the questions.

Senator CLARK. Good.

Mr. FUTRELL. I will not speak directly for or against any specific policy or program, nor do I have any specific program proposals. However, I would like to offer some comment on the possible implications of different program choices that we feel are important, and I would add that these comments that I make largely reflect my own views and are not necessarily those of Iowa State University or other members of the university staff.

Loan rate and target price levels, should these features be retained, will be one of the most crucial dimensions of the farm program to be in effect over the next few years. Closely related to the loan rate and

target price questions is the matter of grain reserves, including the desired level of stocks, who will own them, and the procedures by which stocks would be accumulated, controlled and released to the market.

My comments will mainly address the question of loan rate and target price levels. Obviously there are other important questions to be considered in farm legislation.

The level of loan rates and of target prices and the relationship between the two, I feel, should be dictated, in a large part, by the primary objectives of the program. If a major objective is to keep U.S. agricultural commodities competitive in world markets, relatively moderate loan rates and target prices would seem appropriate. This approach would provide producers with some protection against low prices, perhaps enough to assure coverage of most operating costs, but it would not guarantee a profitable return if prices drop to the loan level. The accumulation of sizable Government reserves would also be less likely than at higher loan rates.

On the other hand, if the primary objective is to support the level of farm income and to encourage production, loan rates and target prices at higher levels would appear more appropriate. Relatively high loan rates would also increase the probability that either Government-held reserves or acreage set-aside provisions would be a necessary part of the program, assuming fairly normal weather conditions for crop production over the next few years. Despite substantial unfilled needs for grains in the world from a nutritional standpoint, a return to more normal weather would likely raise grain production potential to levels which would outrun the effective demand in domestic and world markets.

A substantial wheat reserve in producers' hands is already a reality in the United States. Current indications are that the June 1, 1977 carryover of all wheat will be in the vicinity of 1.2 billion bushels, the largest since 1962 and over two-thirds of a year's domestic and export usage at current rates of utilization. There is still some uncertainty about the outcome of the 1977 wheat crop; and a poor crop would moderate the market impact of the expected carryover. But worldwide supplies at this point appear quite ample. Large crops of wheat, as well as rice, in 1977 would bring a further increase in stocks and create a more serious price problem for growers. Pressure for Government takeover of a portion of the wheat stock would likely increase.

The supply situation for corn and other feed grains also has the potential to become burdensome, depending heavily upon weather conditions in the United States and other producing nations of the world. Based on final USDA estimates of the 1976 crops, indications of feed usage in the October-December quarter, and January 1 feed grain stocks, carryover of corn during the current marketing year may rise substantially. Whereas the October 1, 1976, carryover was low at 399 million bushels, it appears now that the carryover on October 1, 1977, could be in the 750 to 850 million bushel range. While this probably would not be a burdensome carryover, a 1977 crop comparable to 1976 production could push stocks to a higher level than producers and the grain trade would want to carry. Since there is

considerable cost involved in storage of grain, pressure for Government participation in holding the reserve would likely increase.

Relatively high-loan rates carry the potential, with more favorable weather for crop production than in the last few years, to encourage production that will exceed effective market demands at those price levels. As a result, the farm legislation would need to retain ways to limit the level of production through some sort of acreage set-aside program. Otherwise, the Government would expect to become substantially involved in a grain storage and reserve program of some kind.

Relatively high-loan rates and/or target prices also have the potential to exert continued upward pressure on the price of farmland. The effect can snowball, particularly if loan and target prices are linked to estimated costs of production. Higher land values increase the total costs of crop production, which in turn are reflected in higher loan rates and/or target prices. The higher loan rates and target prices next cause further upward pressure on the price of land, and this kind of spiral can go on.

There are a number of possible implications of relatively high-loan and target prices that should be considered. Higher loan and target prices have feed cost implications for livestock, dairy, and poultry producers; there are implications for maintenance of export markets and for Treasury costs of the farm program. To the extent that loan and target prices cause farmland values to rise, it can increase the capital requirements for farming and make it increasingly difficult for young persons to enter farming. Buying land at current levels is already an option that is largely limited to farmers who have substantial equity in land purchased earlier at a much lower cost.

The question of appropriate support levels extends to the possible impact on the future organization and size of agricultural production units and on the ownership concentration of farmland.

Linking loan rates and target prices to costs of production appears to be a logical approach in most respects, but it may be difficult to effectively implement over time. Nonland costs of production under different conditions can be fairly accurately determined. Land costs, however, are a more difficult problem, in view of the sharp rise in the price of farmland over the past 4 years and the wide variation in the acquisition cost of land used in individual farming operations. In Iowa the average price of farmland increased by 32 percent in 1973, 31 percent in 1974, 31 percent in 1975, and 25 percent in 1976. Estimates as of November 1976 were that the average value of farmland was 2.8 times the November 1972 level. Although land values are now much higher, and cash rental rates reflect the increase, this overstates the land cost of farmers who acquired land at much lower levels.

In summary, relatively moderate loan rates would tend to be more market-oriented and would probably result in more price variation for both producers and consumers. Producers would be protected from very low prices but have no assurance of profitable returns every year. Consumers would not be protected from high prices. Government program costs would be comparatively low, and farm products would continue to be competitive in foreign export markets.

Relatively high loan rates and target prices, on the other hand, would reduce the price uncertainty for both producers and consumers, since the loan rate would likely establish the market price—if weather conditions are reasonably good for crop production. Government costs for the program would be relatively high. Acreage set-aside provisions in some form would probably be necessary to limit the build-up in Government stocks. Foreign exports could be adversely affected, or a Government export subsidy program required if U.S. support levels were above world market prices.

That concludes our statement. Thank you very much.

Senator CLARK. Thank you. Mr. Futrell, or others, do you have any feel at all for what you think would be a loan rate that would not reach dangerously close to putting us out of the U.S. grain or the world market? Is it at all possible for you—I am not asking for an exact figure, or anything of that kind, but how do we make that judgment on this committee, in your judgment?

Mr. FUTRELL. Well, I think obviously that weather is an uncertainty, and any comment I would make would be very strictly a personal opinion. My own view is that loan rates in the range of, say, \$1.85 to \$2.20, or higher, do represent relatively high loan rates; and I talk only in general terms of moderate and high. I would consider loan rates in the, roughly, \$1.50 to \$1.70 loan range as moderate.

Senator CLARK. The Talmadge draft that we have before us has a loan rate of \$1.71. That is kind of on the edge of what you are calling moderate to high. What about the target price or guaranteed price? I notice in that draft proposal it is \$2.28. How does that strike you, just personally, as a target price?

Mr. FUTRELL. My personal view is that that would be a higher target price than we would be able to maintain under the assumption that weather conditions were fairly normal. Again, that's my own personal opinion.

Senator CLARK. Let me ask you what you or your colleagues feel about what the benefits or the drawbacks would be to a grain reserve system. What do you see as the benefits accruing from having a grain reserve on hand, and what do you see as the drawbacks or drawback?

Mr. GRATTO. I will give you a list of pluses. A partial list of pluses includes these:

If some stocks are on hand, then variation in supply produces a smaller variation in price. That means that all of the people who handle grain from the producer to the consumer handle it more effectively, so that is one of the pluses.

Second, we have many foreign buyers who look to the United States to be a seller on a permanent basis, or intermittently. They would like to be certain that their order is going to be filled at a price near their expectations, and that the transaction would be in accordance with their plans. A reserve would have the effect of helping stabilize and protect our foreign markets. Those are two pluses.

The main fear that people have as they approach the idea of reserves are high Government costs, should the Government be the main holder. The second objection is that reserves have been associated in

practice with very low prices. All through the sixties we had big reserves and low prices. One can argue, did we have lower prices because we had the reserves, or did we have the reserves because we had the low prices? Nevertheless, the two were present at the same time and many people feel that should we ever accumulate reserves again, the low prices will be again associated with them. There is no need for that association to exist, but it is in people's minds, and that is a drawback.

Senator CLARK. One other question. I am just curious about this. Over the last 10 years we have put more and more land in production in corn and soybeans. I think nationally the figures show that in about 10 years we have increased the corn acreage by about a third, maybe 30 percent, and soybeans by about 43 percent. Does that potential continue to exist? I mean is there going to be more and more acreage available, in your judgment, or have we reached pretty much the saturation point in terms of bringing more and more land into production?

Mr. STONEBERG. I think, as you examine the land use pattern in Iowa and throughout the United States, we are essentially in all-out production. Now, I see relatively little additional increased acreage to be brought into production of corn and soybeans. In fact, there was quite a bit of testimony today that we may be a little higher on acreage than we should be in the long run from a conservation standpoint. I think if our supply catches up with demand, we may well take the point of retiring some of this acreage out of extensive row-crop production and do more soil conservation work. As I say, essentially I think we are in all-out production in row crops at the present time.

Senator CLARK. I gather from your answer that you tend to feel that we may be a little more than we ought to be in terms of marginal land?

Mr. STONEBERG. I think in the long run, yes.

Senator CLARK. For conservation purposes?

Mr. STONEBERG. Yes.

Senator CLARK. We thank you gentlemen very much. We must stop at this point. We agreed to be out of here by 5 p.m. because a horse sale begins then in this ring, I think I am the warmup for the horse sale today. I do want to thank Jim and Edith Brooks, the owners of this sale barn, for their hospitality, their coffee, and so forth, and we are very, very pleased to be here and to have heard all of you. Thank you very much.

This hearing is adjourned.

[Whereupon at 5 p.m., the committee adjourned, subject to call of the Chair.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF FRANK HILL, AGRICULTURAL LIAISON FOR HON. MICHAEL T. BLOUIN,
REPRESENTATIVE IN CONGRESS FROM THE SECOND DISTRICT OF IOWA

Mr. Chairman, members of the Committee, Good morning and welcome to the Second District.

On behalf of Congressman Blouin, I want to welcome you to Linn County and to express our appreciation for the opportunity to be here and to thank the committee for giving the farmers of this district an opportunity to express their concerns and to offer their recommendations for farm legislation now in the process of formulation in the Congress.

As you may know, Congressman Blouin is chairman of the Rural Development Committee of the Congressional Rural Caucus. As chairman of that committee and as a Congressman who represents some 18,000 farmers and the nation's fourteenth most productive dairy district. Mike is quite naturally concerned about the type of agricultural legislation—and specifically, the type of farm bill—which emerges from the 95th. Congress. We intend to be as active as we possibly can in formulating the 1977 Farm Bill on the House side.

My comments will be brief and I would hope the record could show that unfortunately, Congressman Blouin could not be here in person today because of previous commitments in Washington this morning.

Mike asked me to relay to the committee his deep concern that our new agricultural policy, which will in effect be shaped by the legislation under consideration in the Senate and House this year, must reflect the striking changes which have taken place in agriculture in recent years—changes not only in technology and the mechanics of crop production, but changes in such variable factors as weather trends, population growth patterns, and world economic conditions.

It must reflect, too, the basic conviction that the strength of this nation—politically and economically, both domestically and internationally—depends upon the strength and vitality and success of its farmers. In short, this nation's strength depends in no small measure on its role as the world's most successful and most abundant food producer. But that strength, that productivity, is not automatic. It cannot be taken for granted.

Over the past two years, Mike has spent a great deal of his time talking with farmers—on a one-to-one basis, in town meetings held throughout the district, and in special farm meetings in every county. What has emerged from those discussions are these basic observations: Iowa farmers do not feel protected by the current provisions of Federal Crop Insurance: they are not convinced that target prices or loan rates offer a safe guarantee that they can recover the costs of production if the market price should fall; they are suspicious that the proposed national grain reserve would be manipulated, politically, to depress market prices; they are disillusioned because the executive branch has, over the past several years, virtually gutted soil conservation appropriations, they are discouraged because the government continues to permit the unlawful entry of foreign meat imports which compete unfairly with domestic products; concern has also been shown with respect to financing foreign products that compete directly with our products on the world market.

Meaningful economic insurance against natural disasters should be a high priority in this year's farm program. Much of the midwest has been adversely affected by abnormally dry weather this past year and the year before, yet Federal Crop Insurance programs remain frozen in some counties. Even where they are not—payments and premiums are too often unrealistic and outdated. A new agricultural insurance program is needed which protects not only high risk areas, but all agricultural communities.

Loan rates on feed grains must be adjusted to provide a level of support equivalent to a fair floor level, and, at the same time, to maintain competitive free markets. As it stands today, loan rates and target prices often fall far short of insuring farmers a fair return at or near the cost of production which has literally skyrocketed in recent years. A recent U.S.D.A. study shows that current price support levels, established at minimum levels in 1973 and adjusted only moderately in 1976, fall short of current production costs (not including land costs) as much as 34 cents a bushel on major grains.

These are problems which I know Senator Clark is well aware of—just as the farmers here, and farmers all across this state, are well aware. There are no big surprises. And, in fact, no serious questions about solutions. To date we have merely lacked the will and the cooperation, primarily of the White House to produce the insurance and when necessary, the help which farmers need to maintain and expand their historic role.

[Reprinted from the Waterloo Courier, Jan. 23, 1977]

TALMADGE: PRODUCTION COSTS KEY IN FORMULA FOR TARGET PRICES

(By Andy Montgomery)

Washington—U.S. Sen. Herman Talmadge last week gave President Carter a pre-inaugural gift, the vehicle for reshaping old concepts in farm programs and policies.

On Tuesday, he introduced his long-promised comprehensive new five-year farm legislation which, for the first time, would tie federal price supports to farmers' production costs in growing grains and cotton.

It is a significant development, one carrying broad implications for Iowa farmers whose production costs have climbed out of sight and whose income have barely, and frequently did not do so, kept pace.

Talmadge's bill cannot be dismissed lightly, as something long in promises but short of reality, as something whose time has not yet come. Not if one recalls that it was his Senate Agriculture Committee that originated the 1973 Act containing the then new system of payments to farmers should market prices fall below a "target" level.

While the limitations of time may still permit only an extension of the 1973 Act this year, Talmadge has made it easier for the new President—and fellow Georgian—to develop new and quick initiatives in farm policy-making.

"I am proposing," the senator said in introducing the bill, "that we move to actual 'cost of production' as a basis for target prices. And loan levels would be related to the cost of production."

His reasons are several:

Prices paid by farmers for production items have increased markedly since 1972. Yet, the formula in the 1973 Act—target prices based on boosts in prices paid by farmers for production items, interest, taxes and wage rates—did not become effective until last year. As a result, full farm costs are not now reflected in the current target prices.

"Food is essential to the continued welfare of this nation. And a strong and viable agriculture must be maintained if our food and fiber needs are to be met both for domestic use and for export."

The "cost of production" approach is superior to the existing method or the old system of tying support prices to the parity index.

As Talmadge would have it, the 1978 target price for wheat, for example, would be set at \$2.91 a bushel and for corn at \$2.28 per bushel.

In addition, loan levels would be pinpointed at not less than 75 per cent of the cost of production, subject to adjustment under special circumstances.

The formula would establish minimum loan levels at \$2.18 for wheat and \$1.71 for corn. Under the current law, the levels are \$1.37 for wheat and \$1.10 for corn.

The secretary of agriculture would be given flexibility in devising program details, including the loan level.

The chairman insists his legislation makes sense in this day and era. He stresses that while the nation no longer faces surpluses of farm commodities

costing the government billions of dollars as during the 1950s and 1960s, "the basic issue facing us today is more difficult."

"Now," Talmadge warns, "we are in an era of uncertainty, where supply and demand are in delicate balance, and where weather throughout the world has an enormous impact on production and price."

The question may have shifted, he says, but "the basic reasons for concern remain the same. The reasons for yesterday's farm programs are the reasons behind today's debate over a national farm and food policy."

And as far as he is concerned, the thrust of any discussion must center on the assurance that "farmers must have basic price and income" guarantees. Otherwise, he believes, they should not be asked to take the financial risk, both long- and short-term, of continued crop production.

STATEMENT OF DAN STADTMUELLER, REPRESENTING THE IOWA CORN GROWERS ASSOCIATION, ALGONA, IOWA

Good afternoon Senator Clark, distinguished members of the panel . . . my name is Dan Stadtmueller and I am treasurer of the Iowa Corn Growers Association. I am presenting these comments for your consideration on behalf of Thurman Gaskill, president of the Iowa Corn Growers Association, and our members.

We believe that the strength of the agricultural economy has always relied on the ability of the farmer to maintain reasonable profit margins. This depends directly on maintaining high levels of efficiency and receiving fair market prices for farm products. Proposed legislation pertaining to the establishment of an appropriate loan rate for corn is of vital concern to the industry.

At a recent meeting of the Iowa Corn Growers Association, the loan rate issue was discussed extensively. While suggestions on loan levels ranged from \$2.30 to \$1.50, the average suggested figure was \$1.90. We believe establishment of the loan level at this figure has many advantages.

One of the most important features of the \$1.90 level is that it allows the free market to continue its function in supply and demand. A higher figure will undoubtedly affect supply levels by reducing the factors of production risk to an undesirable level. Without question, risk is essential in preventing overproduction and resulting low markets.

A \$1.90 loan rate will also accomplish the basic functions of the program and yet not have the undesirable effects of a higher level. Farmers do need a program designed to diminish the effects of both natural disaster and extremely low periods in the marketing cycle. The \$1.90 loan price allows the producer a source of stability for his operation during uncertain times. At the same time, it also more accurately reflects the rise in production costs that have accrued.

Another major concern in agriculture is the preservation of the family farm. Because the loan program is in itself designed to reduce risk, the larger farming operations have substantially more to gain with higher loan levels. While smaller farmers do need reasonable protection through an adequate rate, an exceeding high loan level tends to allow "accelerated expansion" without risk for the big farmer.

When market risk is removed from corn production, there is also a tendency towards the inefficient use of resources. With a loan rate too close to the cost of production, farmers will tend to utilize more marginal land in the production of corn. At the same time, the more inefficient manager will also be encouraged to produce.

The Iowa Corn Growers Association believes the \$1.90 figure is low enough to prevent this from happening, yet it offers sufficient protection when needed.

Because it is so important that the loan price not serve as a floor for the grain market, we also propose that the producer remain completely liable for repayment of loans under this program. That is, there should be a provision which prohibits the farmer from simply turning over his grain in lieu of the debt. Not only will this provision reduce the cost of the program, but it is more desirable in that it supplies the necessary farm credit and yet will not adversely affect market levels through overproduction.

The basic function of the corn loan program should be to provide a greater degree of price stability through a more orderly system of marketing. At the same time, it should serve to provide the farmer with credit sources during times of unavoidable market fluctuation. But, by the design of the system, we have the opportunity to make the program effective without serving as a destructive force to grain prices. The free market functions of supply and demand must be allowed to operate. The Iowa Corn Growers Association urges that a corn level of \$1.90 be adopted.

STATEMENT OF WILLIS HANSEN, VINTON, IOWA

Mr. Chairman, members of the committee, I wish to preface my program proposals with a statement of justification.

The agricultural community has become dependent upon foreign sales for its very existence and, at the same time, the United States has become dependent upon foreign energy for its existence. The name of the game has become the balance of trade.

Foreign energy is priced by the producing nation and those that purchase must pay the price with very little room for negotiation. The price of energy is established at the point of production, the well head.

United States farm products have been priced by the foreign buyers, the multi-national corporations and governmental tariff setters through grain exchange prices determined by pricing committees made up of buyers. The American farmer has no input.

Energy and food are both products of tapping nature and are sources of "new income." Pricing should be done in a similar manner. It is actually priced in opposite manner. This compounds the balance of trade problem.

The obvious answer is a change in pricing. The only answer we can control is the pricing of farm produce.

A commodity price support rate representing a fair value established at the well head, the farm gate, would establish world prices. As a result, the profit or "new income" works within the economy of the United States, and into the world economy rather than being diminished during its return.

The net profit or new income from farm products is one of very few sources to maintain a plus in the balance of trade. The pricing of our produce is a very legitimate method of assuring our plus position.

The entire economy gains either directly or indirectly from this plus position maintained through proper pricing of the production of American agriculture.

ESTABLISHING PRICES AND STABILIZING PRICES

Prices of feed grains should be supported as near the cost of production as possible. Land costs must be included. Soybeans should be supported in the same manner.

I favor Commodity Credit Corporation Price Support nonrecourse loans.

I do not favor low loan rates in conjunction with target prices. Target prices set higher than loan rates would tend to build in a position of low domestic prices with the world demand price at or near target price and the American taxpayer making up the difference. This in reality means the American taxpayer would be subsidizing the world market by making a direct payment to the farmer out of tax funds that cannot be recouped in any way. The American farmer would much prefer to take a loan, delaying marketing, creating world demand, establishing world price, paying his bills in the interest of the economy, maintaining adequate domestic stocks, repaying his loan with interest, making a profit and not costing the American taxpayer a cent. A resale program would need to be authorized to maintain a reasonable reserve and to be increased in times of exceptional production resulting in surplus supplies over current needs plus a reasonable reserve and while some adjustment was made temporarily in production.

The Price Support Program could operate from a revolving fund. This fund could be established once and nearly maintain itself if we would change our system of bookkeeping and show loans repaid rather than considering loans as losses to CCC with repayments going directly to the treasury. The only real

cost to the taxpayer would be the storage payment under the reseal program that would be created to guarantee adequate stocks to remove the fear of shortage.

I feel the \$1.71 per bushel rate for corn is too low. The figure of \$2.28 suggested as the target price would be about right for the 1977 crop year. The cost used to establish the loan rate must be based on a per acre cost of production including land cost. The real land cost must be used in the interest of preserving the family farm as preserving the family farm is in the interest of the American public. The cost of using commodities for food programs would be at the expense of the taxpayer with purchases made on the market or credited at the market price for any CCC stocks. CCC should not acquire stocks except in unusual circumstances and if they do the commodity should not come into the market until market prices warrant. A production adjustment program might be needed temporarily if the unpredictable crops should overwhelm the market.

The cost of a target price to the taxpayer based either on a national allotment or on planted acreage could be tremendous. For example: 1977 allotment, 89 million acres, feed grain, average differential, \$.50 per bu., national est. yield 80 bu. $89,000,000 \times 80 \text{ bu} \times \$.50 = \$3,560,000,000.00$.

The same crop protected by loan which would be repaid with the loan rate high enough to cover that differential would not cost anything.

DISASTER PROTECTION

The program for disaster protection, regardless of content, must be administered wholly through the County ASCS Committee system. The county committee with assistance from the community committeemen know local conditions and individual operations and thus can fairly and equitably administer regulations. Regulations should also be reviewed by representative committee for reasonableness before publication.

The disaster program as administered in 1976 under the Act of 1973 is laden with inequities and provisions that shake the faith of a producer in his government. The allotment set for program is set so low as to be unrealistic when compared to the acreage the producer is encouraged to plant. Eighty nine million acres for all feed grains covers 79% of the planted acreage by statistics but in the particular county the percentage drops and in individual cases per farm the coverage is even worse due to allotments being 70% of the old base established from 1959-1960 history and the change in operations since that time. In Benton county the average farm has 35% of its cropland covered by allotment for disaster payment. This day and age that figure is totally inadequate. The established yield is pretty close. The 2/3 factored for coverage ends up covering .5451 of the set yield for establishing eligibility. That figure is totally inadequate. The concept of establishing eligibility on 2/3 and payment on actual difference between production and allotment extended times farm yield creates an inequity that is inexplicable.

Example: 320 acre farm, 1959-60 history 160 acres FG, 112 acre allotment for 1976 feed grain, 126 bu. established yield.

The producer, encouraged to plant fence to fence, determines his best land use considering slope of 4-9%, erosion control, weed control, weather outlook, government reports and predictions, equipment and time, would be 80% corn and 20% soybeans.

1976 planting: 260 ac. corn, harvests same for grain, 60 ac. soybeans, yield 65 bu corn per ac., 22 bu soybeans per ac.

The formula for disaster eligibility is allot. \times yield \times 2/3 ($112 \times 126 \times .5451$). That is 7692 bushel. His production ($65 \text{ bu} \times 260$) 16,900 bu. He had a disaster on a per acre basis by 3.7 bu. per acre ($68.7-65$), but did not qualify because of his total bushels due to the unrealistic allotment given him. The protection afforded this producer was a sham. Had the program been based on planted acres this producer would have had protection and qualified for \$6,354.40, while planting as he was encouraged to.

Another example of inequity: Using the same farm (320 acres, 112 acre allotment, 126 set yield).

The producer planted within his allotment of 112 acres, 112 exactly and his corn yielded 68.6 bushel per acre or 7693 bushel. The maximum yield for eli-

gibility was 7692 bushel so he did not qualify. If his combine had missed one bushel and his harvested had been 7692 he would have qualified for a payment of \$3338.40 ($112 \times 126 = 14112 - 7692 = 6420$) ($6420 \times 52\text{¢} = \3338.40). That's pretty tough to explain across the counter in the county ASCS office.

This program is needed and could be very effective if allotments were forgotten and planted acreages were used, the payment formula and the eligibility formula were the same and the administration of the program were in the hands of local ASCS committees rather than representatives from other parts of the state representing other agencies and not familiar with local situations doing part of the field work. The guarantee should approximate the cost of production.

This program must be changed for the 1977 crop.

STATEMENT OF GLEN PETERSON, REPRESENTING THE FARMERS GRAIN & LIVESTOCK CORP., DES MOINES, IOWA

My name is Glen Peterson, market consultant with Farmers Grain and Livestock Corp. of West Des Moines, Iowa. The principal business of our Company is to provide a marketing advisory service to clients located throughout the United States. At the present time we serve in excess of 18,000 farmers or ag-related clients. As you may judge from this we are vitally concerned about any new farm legislation which may be enacted by the current session of Congress.

In order to provide our clients with the opportunity to further express their views we recently conducted a survey to determine the type of program that producers actually prefer. We were gratified by the fact that over 3,500 farmers took the time to fill out the survey and return it to us. Judging by the experience I have had with similar attempts to measure farmer opinion this is an excellent response and definitely indicates that there is indeed deep concern about the direction of government farm programs. I have attached a copy of the survey summary to this statement for your review and at this time will merely point out some of what we consider to be the more pertinent points.

First, we asked if producers desired legislation that would be strong enough to effectively stabilize commodity prices, or if they preferred to operate in an environment that would allow prices to freely seek their own level. By an overwhelming margin of 2,600 to 460 farmers indicated that they preferred to take their chances in a free market system. Our survey also revealed that this prevailing opinion varied only slightly between geographic areas. Only 250 producers indicated that they would support government efforts to stabilize livestock prices. The majority of producers who responded were about equally divided in their opinion that government should either offer only a loan program to cover storage costs or that there should be no government programs at all. There was no clear consensus as to what the specific loan rates should be but a larger number indicated a preference for a \$2.00 loan on corn and \$2.50 for wheat. There appears to be very little enthusiasm for either direct government purchases or reserves held by private traders.

We do not feel that it is our role as a market advisory firm to recommend to the Congress how it should draft farm legislation. But, we do feel we have a responsibility to our clients to see that their views are properly heard. We feel that these people are essentially saying two things: one that they want to farm in a free economy and are willing to bear most of the risk inherent in such a system. Secondly, they believe government should establish safeguards to protect our nation's most vital industry against a major economic disaster. Specifically, they appear to prefer a loan program at levels close to or slightly below the cost of production. Such a program would prevent major losses but would not provide an incentive for continued overproduction and a resulting accumulation of un-needed surplus.

In one decade our farmers have seen agriculture go from a situation of extreme surplus to one of near scarcity. They obviously prefer neither extreme. But, they have apparently learned one lesson well. They do not fare well when the government owns sizable quantities of agricultural commodities. Most of

them appear willing to endure short periods of economic loss to insure that such surpluses never again occur. Farmers are confident of their ability to produce, provided they have the economic incentive. We might add that their natural desire to produce is this nation's best assurance against shortage. To clarify, farmers do not want a farm program that provides an incentive to produce. They want a program comparable to government unemployment insurance that will prevent disaster and the possible destruction of our agricultural economy.

On behalf of our Company I wish to express thanks for the opportunity to present these findings. We feel strongly that our clients are representative of the most efficient and productive of America's farmers. We hope that the views these individuals have expressed will be given serious consideration as Congress formulates the 1977 farm bill.

A. Should government legislate to provide stable commodity prices, eliminating the highs and lows? 460 or B. Should our products be allowed to seek their market level through competition without regulation? 2,604.

Where do you think loan rates should be on: Corn, 739—\$1.50; 1,437—\$2; 949—\$2.50. Wheat, 564—\$2; 1,076—\$2.50; 896—\$3.50.

Would you favor Government stabilization of livestock prices? 250—yes, 2,698—No.

What type of Government action would you favor when grain surpluses occur? A. Government purchases, 144; B. Government loans to producers for storage costs, 1,640; C. Government incentives to the grain trade to hold and store grains, 256; D. No Government action, 1,405.

Do you feel current soil conservation assistance programs: ACP-REAP are meaningful toward conservation and pollution control goals? 1,611—yes; 810—no; 717—don't know.

Is the existing incentive payment plan effective? 1,249—yes; 1,312—no.

Do you feel a long-term low-rate loan program would get better results? 1,500—yes; 1,150—no.

MARCH 19, 1977.

DEAR SIRS: Soil and water conservation is and should rightly be one of the most important issues in the States of this country, whether it be Iowa or New York.

With all-out production of our intensive cropping programs, much soil is being lost. Evidenced and witnessed very close to us, we find ditches eroded in fields so bad the farms can hardly be crossed with modern equipment. This all happening within the last ten years.

It is very apparent that laws are going to have to be passed in order to stop some of this soil loss. In this area, *land owned and controlled by farmers* is in far better condition than that of ground owned by individuals, groups, trusts, etc. that do not understand that our future depends on that soil. Renters of ground that pay cash rent to the amounts of \$100/acre are generally farming so much ground that fall work is a necessity and a requirement in order to complete their spring planting on time. Fall work isn't all bad if a certain amount of residue is left on the surface to retain water and keep our soil where it belongs.

I don't believe in government controlling agriculture, but when it come to one of our major natural resources, something has to and should be done. If it means outlawing the mold board plow on a certain percent of slope, then be it. A farmer owning his own ground is usually very aware of soil loss when his returns from farming are decent, but when prices are low, there is less awareness about conservation and more about increased yields for more total income.

That is why a law will probably have to be passed so even when these conditions exist our soil will be protected.

Just one comment concerning tiling and getting paid for it for soil conservation. This is and has been ridiculous and a waste of federal monies. Almost everyone, until tile outlet terranes has used tiling to increase production. Enough said.

Certain programs, if soil loss laws are enacted, can be and should be undertaken and the expense stood by the farmers. This can only help him if he wants

to farm 2 or 3 thousand acres by losing soil conservation methods so he can work ground in the fall. In the long run I think it would be advantageous to and help retain the smaller family farm.

Thank you for reading this, be it wrong or right.

Sincerely,

ROGER OLDORF,
Oldorf Farms Inc.,
Stanwood, Iowa.

[Sponsored by the National Public Education Committee in cooperation with Extension Service and Economic Research Service, U.S. Department of Agriculture; Farm Foundation and cooperating State Land Grant Universities.¹]

1977 AGRICULTURAL AND FOOD LEGISLATION

ISSUES AND ALTERNATIVES

(Harold D. Guither, University of Illinois and B. F. Stanton, Cornell University)

The Setting

The new Administration and Congress that arrive in Washington in January 1977 must decide whether to extend or modify the Agriculture and Consumer Protection Act of 1973, which expires at the end of 1977.

Any new legislation must conform to the budget process adopted by Congress in 1974. This requires a set of cost estimates for provisions of such legislation by March 15, 1977. Agreement on a new or modified bill must come from the Senate and House Agriculture Committees by May 15. Congress has until the second week of September to take final action. The new budget process also gives more emphasis on program costs and could influence final legislative decisions.

With this timetable and a new Administration, Congress could simply extend the Act for another year with some modifications. Such action would allow time for debate and discussion on the issues before writing a new Act. The Secretary could establish closer relationships with the Senate and House Committees and the many groups interested in legislation. Specific provisions such as target prices, loan rates or set aside could be considered separately but within the framework of the present act.

Interest and concern for food and agricultural legislation now comes from many diverse groups. The House and Senate Agriculture Committees and the U.S. Department of Agriculture listen to many conflicting voices as proposals and new bills are drafted. Spokesmen for consumer groups and organized labor present their views along with farm organizations and agriculturally-related businesses.

The 1973 Act: Extension or Modification

New legislation usually builds on past experience. The 1973 Act modified older legislation which still remains in force. This will be the base from which discussion starts in 1977. The concept of target prices and deficiency payments was the major change from past legislation in 1973. Such issues as feed and food grain reserves and conditions for their release or sale, basic support levels and loan rates may give rise to new provisions.

Major Provisions of the 1973 Act

Target prices were established for wheat, feed grains and cotton in the 1973 Act and for rice in 1975. Because market prices have stayed above target prices until 1976 no deficiency payments were made during most of this legislative mandate. Loan rates were set at lower levels in relation to market prices than in previous legislation. The Secretary was given substantial discretionary authority. Natural disaster payments were provided for those prevented from planting

¹ Coordinating committee: Harold D. Guither, University of Illinois, Chairman and Editor; William E. Black, Texas A & M University; Milton Erickson, Economic Research Service, U.S. Department of Agriculture; Bruce Florea, Washington State University; Rupert Johnston, Mississippi State University; Ronald Kautson, Texas A & M University; Everett E. Peterson, University of Nebraska; W. Neill Schaller, Farm Foundation; Robert G. F. Snitze, University of Illinois; B. F. Stanton, Cornell University; and W. Fred Woods, Extension Service, U.S. Department of Agriculture.

or from harvesting if production falls below two-thirds of a normal crop of wheat, feed grains or cotton. A payment limitation of \$20,000 per person for all commodity programs was set. A set aside program was authorized for use at the discretion of the Secretary.

Many other items were included in the 1973 Act. The Public Law 480 and Food Stamp programs were extended for four years; dairy price supports, Class I base plans for milk, and incentive payments for wool were continued. A disaster reserve of wheat, feed grains and soybeans was implemented. Annual cost of production studies for wheat, feed grains, cotton, and dairy product were required. Most titles continued existing programs with modest changes.

Other Agricultural Programs

While the 1973 Act considered many basic commodities and programs, it did not cover everything. Other programs covered in separate legislation could come up for consideration. Peanuts, tobacco, and extra long staple cotton, with their separate production control programs are important to certain producers. Sugar, long the subject of special legislation, may return to the agenda. Export and import controls and authority to respond to changing conditions are important issues.

Key Issues

In the first months of 1977 key working relationships will need to be established and agreement sought between the House and Senate agricultural leadership and the new Administration. An agenda would need to be reached quickly if a substantial new Act is to emerge. An extension of the 1973 Act with some modifications would be easier to achieve. Then the important issues could be clarified before new legislation is enacted. One set of issues will relate to the philosophy behind the Act and the role of the federal government. The other will deal with specific programs such as target prices, commodity reserves, loan rates, resale prices and the ways in which transfer payments may be made to farmers.

Philosophy

Every administration seeks to set its own imprint on policy and programs. In the 1973 Act, the Secretary of Agriculture sought and received substantial authority for discretionary action in response to changing market and political forces. Any piece of legislation defines or establishes the ways in which government relates to the activities of individuals and private business. Legislation is a response to the requests of producers and consumers after public debate. The question is not simply one of little or no government versus much more government. It is one of degree and style. There will be some form of government intervention in many aspects of food and agricultural policy. Debate centers on the conditions under which government intervention or action occurs, where the leadership rests, how much discretion rests with federal officials, and who takes initiative.

The role of government in agriculture and how this role is viewed by farmers, consumers and the general public will be of concern to Congress and the new Secretary. Present legislation and the ways in which it can be used to respond to changing supply-demand conditions will be assessed. The trade-offs between stability of farm and retail prices of food, costs of different programs, the need for reserves, the management of potential surpluses and shortages must also be considered. A philosophy toward federal programs in agriculture will evolve from the Carter administration.

Specific Issues

1. *Target Prices, Loan Rates, and Deficiency Payments.*—The level and method of adjusting target prices is a concern to many producers. The relative emphasis on target prices and loan rates has important effects on producer incomes, price stability, government acquisition of reserves or amounts of deficiency payments. Relationships of target prices and loan rates among commodities will affect producer decisions.

2. *Acreage Allotments* have been used as a means of controlling output and in calculating deficiency and disaster payments. The means of establishing allotments on individual farms affects farmers production decisions and the size of deficiency or disaster payments.

3. *Production controls* may involve direct control of output or indirect control through the use of inputs like land or fertilizer. They may be voluntary or

compulsory. Production control may involve all crops or specific crops or be tied to conservation.

4. *Special Commodity Programs* have been established for dairy products, peanuts, tobacco, extra long staple cotton, wool and mohair and sugar. These involve individual methods of providing price supports, payments, or production quotas. The issue is whether these special programs should be phased into the system of target prices, lower loan rates, deficiency payments, and less restrictive production established for wheat, feed grains, and cotton in the 1973 Act.

5. *Crop Insurance* has been offered to farmers since 1934 and Disaster Payments were provided in the 1973 Act to reduce risks and aid farmers if crop yields dropped substantially. The two programs raise the question of how much and what types of risk protection the government should provide.

6. *Export and Import Controls* affect the conditions under which foreign producers and consumers are to have access to U.S. markets. Reducing or eliminating such controls promotes more international trade and economic benefits to both producers and consumers, although high cost producers may suffer a loss of markets.

7. *Commodity Reserves* have become a significant issue since 1972 because the U.S. government no longer holds large stocks and prices have fluctuated widely. Important questions concern the role of government in acquiring and releasing stocks.

8. *Food Aid* has been provided to low income people in this country through food stamps and overseas through Public Law 480. Originally these programs assisted in disposing of surplus commodities and supported U.S. farm prices and incomes. The questions are how much aid should be given, who should receive it, whether it should be given as food or cash payments in a general income maintenance program, and who should administer it.

Reverting to Earlier Basic Legislation

If Congress does not extend the 1973 Act or enact new legislation, some present provisions and programs will expire. Others will continue in a changed form under authority of so-called permanent or basic legislation.

The following program authority would revert to existing permanent legislation if no new legislation were enacted in 1977: wheat, feed grains, upland cotton, rice, wool and mohair, milk price support, cottonseed-soybean support price relationship, and CCC minimum sales prices.

The following program authority would expire: Public Law 480, dairy products, indemnity payments program, Class I base plan, CCC donations to the military and VA hospitals, beekeepers indemnity program, and the cropland conversion program.

TARGET PRICES, LOAN RATES, AND DEFICIENCY PAYMENTS

(W. Fred Woods, Extension Service, J. B. Penn, Economic Research Service, U.S. Department of Agriculture; Dennis Henderson, Ohio State University)

What Is The Issue?

A major instrument of U.S. agricultural price and income policy has been price support through the Commodity Credit Corporation (CCC) non-recourse loan program. The Agriculture and Consumer Protection Act of 1973 introduced an additional policy instrument for income support, the target price concept. Designed to vary support inversely with market price, it was initially extended to feed grains, wheat, and upland cotton. Rice was added in 1976 under separate legislation. Deficiency payments are made to producers only if the market price falls below target price levels.

The target price/loan rate instruments are expected to be an integral part of replacement legislation for the 1973 Act. In fact, primary issues in the 1977 debate are expected to center around these concepts. The central issue of the debate will be the support levels, on what basis these should be set, and how they are to be adjusted over time. A secondary issue could be whether to retain the target price concept, depending upon levels adopted for the loan rates.

Why Is It An Issue?

The target price concept provides a system of support payments to producers which vary inversely with market prices. Deficiency payments are viewed as income supplementations to producers, moderating the adverse effects of short-term price fluctuations. While farmers may produce any number of acres of the program crops (or designated substitute crops), deficiency payments apply only to production from allotted acreages. This feature is in contrast to price support loans for which all of a farmer's production is eligible (except rice, for which loans are limited to "normal" production).

While the target price concept was unique in the 1973 legislation, it has not been fully tried and its usefulness may be debated, depending upon the level of loan rates. If loan rates are raised to relatively high levels in new legislation, target prices could well be phased out. On the one hand is the view that they are not needed with high loan rates. On the other, if loan rates are low and target prices high, the potential for large deficiency payments is increased and the public might be unwilling to finance large Treasury outlays with surplus production.

Provisions of the 1973 Act regarding target prices and loan rates were designed to promote a greater reliance upon the market. As this was achieved, certain concerns and greater producer and consumer uncertainty arose due to (1) increased lack of knowledge about future conditions resulting from the absence of government programs with known provisions (in the 1960's, for instance, producers knew that price would approximate the loan rate due to the presence of large stocks); (2) unbounded competition between domestic and foreign consumers (resulting in arbitrary export control and purchase agreements for selected countries); (3) considerably more farm product and food price instability than had existed in several decades, with largely unknown and subtle effects and (4) potentially unbounded increases in farm production costs due to such uncontrollable influences as the international energy situation and widespread inflation with no comparable changes in minimum prices for farm products.

The Current Situation

Under the 1973 Agriculture and Consumer Protection Act, target prices for 1974 and 1975 crops were set at 38 cents per pound for upland cotton, \$2.05 per bushel for wheat and \$1.38 per bushel for corn with reasonable rates to be set for other feed grains in relation to the rate for corn. Adjustments in target prices for 1976 and 1977 as provided in the 1973 legislation are based on changes in USDA's Index of Prices Paid for Production Items, Interest, Taxes and Wage Rates (PPI) and changes in the 3-year moving average of individual crop yields. Following this adjustment procedure 1976 target prices were 43.2 cents a pound for cotton, \$2.29 for wheat and \$1.57 for corn.

While upward adjustments caused by increases in the PPI can be partially or totally offset by increases in average yields, the legislation is interpreted to prevent reductions in target prices due to increases in yields. However, target prices may fall below the previous year's level due to declines in the PPI.

Loan rate adjustments are not covered by formula under the current legislation. Generally, upper and lower bounds are prescribed for specific crops and the Secretary of Agriculture is allowed discretion in setting loan rates within those bounds. Once loan rate levels are announced they cannot be reduced for that crop year. They may however, be increased if changed circumstances are judged to justify increases. Loan rates for the 1976 feed grains and wheat crops were increased from earlier announced levels in October 1976, when such a judgment was made, based on declines in market prices to near or below production costs.

Due to a combination of generally low target prices and relatively favorable market prices no deficiency payments were made in 1974 and 1975, and very little loan activity has occurred. This is reflected in the reduced Treasury expenditures for farm programs from \$4 billion in 1972 to less than \$0.5 billion in 1975. The total amount of deficiency and disaster payments any person may receive under the wheat, feed grain and cotton programs was limited to \$20,000 (reduced from \$55,000 in the 1970 act). This payment limitation, however, does not apply to price support loans, even though the loans may not be redeemed, or to set-aside payments.

Alternatives To Present Provisions

Levels under the 1973 Act were generally viewed as satisfactory (both specified levels, adjustment procedures and bounds for loan rate determination) when the legislation was enacted, but economic conditions since have led to their being criticized as unrealistically low (except in the case of rice).

Most frequently mentioned alternatives deal with setting the initial levels of support (target price and loan rate) at higher levels than currently prevail, and how subsequent adjustments in these levels will be made.

Parity vs. Cost of Production

Farm price supports, prior to target prices/deficiency payments, have been related to parity prices. Loan rates, except for upland cotton, are still related to this concept. Various proposals have been advanced to move completely away from the parity concept to a cost of production index to set both target prices and loan rates.

The parity price for a commodity is determined by a formula which gives this commodity the same purchasing power, in terms of goods and services bought by farmers, that it had in the 1910-14 base period. The parity price is then adjusted, to relate farm prices to the rest of the economy, through a factor obtained by dividing the commodity's most recent 10 year average farm price by the general price level for the 1910-14 period.

The major objection to the parity price concept has been that it only reflects prices and price changes, and does not take account of changes in technology and productivity. The costs of producing a bushel of wheat, however, reflects changes in both input prices and in output per unit of input. Thus, cost of production is viewed by many as a more accurate measure of equitable price levels. Nevertheless, primarily because of its long history of use, the parity price of a commodity continues to be a standard by which many judge the adequacy of present prices.

Cost of production studies were required by the 1973 Act. The Economic Research Service, USDA, conducted a major survey and study of 1974 production costs of feed grains, wheat, cotton, and milk, and now updates those costs annually. These data were used to "establish a current national weighted average cost of production" for the selected commodities and could form the basis for indexing target price and loan rate levels to changes in production costs.

Of course, the 1973 legislation made a major step away from the parity relationship and toward costs of production. But, while the notion of using production costs to establish and adjust loan rates and target prices has the appeal of simplicity and fairness, some serious inherent problems exist with its use.

These problems arise both in measuring the cost of producing farm commodities and in linking target prices and loan rates to that cost. Major difficulties relating to measurement include (1) the lack of market-determined price information for the farmer's own labor and management, (2) the problems of computing a cost for the use of cropland and (3) the extreme variability in the cost of producing a farm commodity across the United States. Relative to the linkage problem, major difficulties involve (1) the possibility of building in a land price-cost spiral and (2) how high to set the level of target price and loan rate relative to the cost of production.

The farmer and his family provide a significant share of the labor and management but what they actually get for their labor, management, and "owned" inputs is the difference between total cash receipts and total cash expenses. It is difficult to determine the true economic cost of these inputs.

Land costs, based on current values and interest rates, make up from 25 to 50 percent of total production costs for most U.S. crops. But what determines this current value? Much farmland is purchased for reasons other than production even when farmers are the buyers. And most U.S. farmland was purchased at far less than current prices.

There are several methods to compute the land costs and these methods give varying results. For 1974 average corn production costs, the land charge could vary from \$.44 to \$1.15 per bushel depending upon the method by which land costs were computed.

Other costs of production also vary widely among farms. Geographic location may substantially affect both prices and costs of production. Costs vary widely because of the wide range in management skills of individual producers. And

size of farm affects cost per unit of output as operators of larger units are frequently able to achieve price advantages in input purchases and product sales.

Level of Target Prices and Loan Rates

The level of target price and loan rate depends much on the objectives of policy-makers. If market orientation is the major objective, relatively low levels will provide some protection against unusually low prices for the major crops. Some upward adjustment could still be made from 1976 levels.

On the other hand, target prices and loan rates can be viewed as devices to support U.S. farm income, a view generally prevailing in the 1960's. With this perspective, relatively high target price and loan rates are required to support farm prices which would normally be too low to cover costs of production. Market price would likely be continually lower than the target price and near the loan rate. Deficiency payments would be necessary in most years, government stocks would grow as farmers exercised their option not to pay off non-recourse loans, and government expenditures on farm programs would climb from the relatively low levels of 1973-1976.

Other Considerations

Some concern has been expressed over the relative support levels established for the various covered crops. This concern arises primarily because initial levels and subsequent adjustments under both parity and cost of production concepts are not necessarily related to prevailing market conditions. These concerns might be addressed by (1) allowing some degree of discretion in setting levels to the Secretary of Agriculture, or (2) by linking adjustments to a moving average of market prices.

Consequences

Low Target Prices and Loan Rates

A continuation of market-oriented policies, and attendant relatively low support levels, will mean relatively greater price instability for producers and consumers than under prior programs. Producers would receive protection from seriously low prices through the target price-loan rate mechanism but consumer protection from high prices would have to come through some other means—such as food reserves or ad hoc export embargos. Government program costs would continue at a low level and commercial agricultural exports would continue to be competitive in world markets.

High Target Prices and Loan Rates

Use of higher target prices and loan rates to support farm incomes, on the other hand, would substantially decrease price uncertainty on the part of both producers and consumers. The loan rate would essentially set the market price and government farm program costs could be expected to increase substantially. Producers could also expect set-aside provisions to be invoked as a requirement for price support loans as government stocks accumulated. These stocks could be used as a food reserve in times of widespread crop disaster, but might also have depressing effects on both food and farm prices.

If support levels were above world market prices, additional government subsidies would be required to maintain our competitive position in international trade channels. This would also affect our general trade negotiating position.

Specific Consumer Consequences

Consumers are affected by these alternatives primarily in two ways: (1) directly, through the influence of support levels on food prices and (2) indirectly through taxes levied to finance the cost of the government program. Under a low support level market-oriented program, such as has resulted under the 1973 Act, consumers have faced somewhat higher food prices and in the absence of crop surpluses—considerably more price instability. But costs of government farm programs have been substantially lower than in the past.

Under higher support levels, and particularly in combination with a reserves program, more stable prices and smaller price increases could be expected in the short run but higher government program costs would surely result. Should support rates be established at above equilibrium prices the longer term effects,

higher feed prices leading to higher meat prices, could well lead to a boost in the overall rate of inflation. Meats make up 51 percent of the food component in the consumer price index.

Support Levels Tied to Costs of Production

Tying target price and loan levels to costs of production could, depending again upon the level of support, have substantial effects on the relative competitive positions of various regions, sizes of farm, and earlier versus recently purchased farms from the standpoint of land acquisition costs. It could also have substantial impact on farm structure, giving added incentives for larger, more capital intensive operations. This would make it even more difficult for young persons to enter farming and place added pressures on farmland prices.

The importance of selecting an "appropriate" land charge becomes even more obvious. If the charge is too high and support rates based on it are above equilibrium price levels, then over production will result and depress prices even more, cause surpluses to accumulate and government costs to increase. Export sales could also suffer. Too low a land charge, of course, leads to protection only from serious price declines and little else.

Yet, if the substantial procedural problems could be overcome, the use of cost of production as a guide for setting loan rates and target prices has inherent appeal and may have advantages over the parity concept.

ACREAGE ALLOTMENTS

(W. E. Black, Texas A & M University and Eric Thor, University of California)

What Is The Issue?

Acreage allotments were brought into being in the 1930's to help raise farm prices. Acreage allotment apportionments to individual farmers the national acreage considered appropriate for balancing supply and demand for selected farm commodities. Allotments are used (1) to control production and, (2) to distribute deficiency and disaster payments.

For some crops the national requirements are expressed in volume rather than acreage terms. For such crops a national marketing quota sets forth the quantity of a particular commodity that, in general, will provide adequate and normal supplies. This quantity in turn is translated into acreage and allotted proportionately among states, counties and individual farms.

Should allotments be eliminated as a basis for other programs, and if not should they be updated? If updated, how?

Why Is It An Issue?

Acreage allotments were originally established on a commodity basis for the purpose of raising farm prices and controlling production. Allotments were assigned to each farm on the basis of historical cropping patterns.

The short-fall on world production of grain in the early 1970's increased export demand for U.S. feed grains and wheat. U.S. and world prices rose, and farm production control programs came to an end except for tobacco, peanuts and extra long staple cotton.

Acreage allotments, however, continued to be used as a basis for making deficiency and disaster payments under the Agriculture Act of 1973. The shift away from production controls resulted in: (1) dramatically expanded acreage of certain crops and, (2) regional shifts in the location of production.

If the U.S. farm program goes back to acreage allotments to limit production and increase prices, the question exists as to whether the old allotments should be used as a basis for such programs or whether a new allotment based upon a more recent production period should be established. If we do not go back to acreage allotments, the question arises as to the equity of limiting payments on the basis of old allotments.

Marketing quotas and acreage allotments were in effect for extra long staple cotton, peanuts, and most kinds of tobacco in 1976. Rice deficiency payments and disaster payments are also based on acreage allotments.

Current Situation

Under the 1973 Agriculture and Consumer Protection Act acreage allotments were continued for feed grains (corn, sorghum, barley), wheat and cotton as a

basis of granting government economic assistance to farmers. Target prices and disaster payments were applicable only to production on allotted acres. All production on farms with allotments is eligible for loans for upland cotton, feed grains and wheat. Allotments could be used for production control under the set-aside program at the discretion of the Secretary.

Allotments have been assigned to farms based on historical cropping patterns as follows:

Crop:	Base years
Upland cotton.....	1951-53
Long staple cotton.....	1951-53
Corn.....	1959-60
Grain sorghum.....	1959-60
Barley.....	1959-60
Wheat.....	1945-49
Peanuts.....	1946-48
Tobacco.....	1933-37
Rice.....	1950-54

Acreage allotments may be transferred between counties in a state for upland and extra long staple/cotton, peanuts and 1976-1977 rice. The Secretary of Agriculture can permit peanut acreage allotment transfers provided they do not add to total supply. The Secretary has no powers over transfers for both kinds of cotton or rice. Inter-county transfers of cotton allotments must be approved by the County ASCS Committee. Rice allotments are transferred between farmers in the same state without Secretary or County Committee approval.

Any value attached to acreage allotment transfers between producers is privately negotiated.

Allotment transfers tend to reflect changes in area of production within each state.

Other Alternatives

Among others, there are three major alternatives for the current system of acreage allotments. These are:

(1) Allow transfer of existing acreage allotments for all crops across county and state lines without Secretary of Agriculture or County Committee approval.

(2) Update the acreage allotments by using the average production record on each farm for the most recent two to three years.

(3) Make all current production eligible for support loans, target price deficiency payments and disaster payments without regard to acreage allotments.

Consequences of Alternative Programs

Transfer Allotments

This method allows current allotment holders to sell their allotments to farmers in areas where production is increasing. It would tend to concentrate production on fewer, but larger farms and may increase total output. Average yields would probably increase and average per unit production costs should decrease.

Since this alternative would tend to boost total production, agribusiness would have access to larger supplies and more agricultural products would be available for export. Higher percentage of production would be produced in the least cost regions thus concentrating location of agribusiness firms.

Consumers will experience slower increase in total food costs relative to the current program because of increased supplies of farm products. There should be less variability in food supply from year to year.

The agricultural production would move out of marginal production regions, lessening food related employment opportunities in those areas. Transfers of allotments would gradually improve the efficiency of agricultural production.

Acreage allotment programs tend to restrict ability of U.S. to provide farm products for export.

Update Allotments

The economic consequences of this method are exactly the same as for the transfer allotment method, except it brings changes in location of production more quickly and profoundly. This method increases efficiency to agriculture

more quickly than transfer of allotments and results in increased supply at lower cost. The incidence of allotment leases or sales would be temporarily eliminated.

Updating allotments would continue a basis for controlling production and making deficiency and disaster payments to farmers.

Eliminating Allotments

This is the fastest method for shifting agricultural production to least cost regions, and continuing shifts would continue to occur. Production efficiency would be maximized, cost per unit minimized and overall production would be more responsive to market price changes. Farm income will be more concentrated than under other alternatives discussed.

Consumers food prices will increase more slowly under this system than under any other acreage allotment program. Farm prices will vary more and food supply would be less predictable.

Cost to taxpayers would be less than other discussed alternatives if loan rates are kept well below world price levels.

This method is consistent with the "Right to Food" resolution and should provide maximum exportable volume given favorable prices. It also provides the most sensitive basis for adjusting production to market needs.

PRODUCTION CONTROLS

(Rupert Johnston, Mississippi State University and Ronald D. Knutson, Texas A&M University)

Production control involves government restrictions on the quantity of agricultural production. This may be accomplished by either controlling the quantity of inputs used in producing food and fiber or by restricting the quantity that can be marketed. Input control is generally accomplished by limiting the amount of land.

What Is The Issue?

Three major production control issues exist: (1) Should government control the quantity of food and fiber that is produced? (2) If a decision is made to control production, should it be done on an individual commodity basis or cover all commodities? (3) Should control be mandatory or voluntary for all producers?

Why Is It An Issue?

U.S. agriculture has chronically been faced with problems of excess capacity, price fluctuation and low returns. Many industries have been able to deal with these problems by some form of voluntary production control. Because of the large number of farmers, voluntary cutbacks in production occur only after great economic hardship to farmers.

Government efforts to support prices have encouraged production, reduced demand and are costly. The result in the 1950's and 60's was extensive governmental production control programs. Up to 60 million acres of land was retired from production in some years. In addition, mandatory control programs existed on a number of commodities. Much debate surrounded the merits of these programs.

Opponents argued that they increased production costs, resulted in resource misallocations, were ineffective and denied farmer freedom to produce. Proponents saw production controls as the only feasible means of tailoring production to market needs, eliminating excess capacity, keeping farm program costs in a reasonable range and raising farm income.

Rapidly expanding demand in the 1970's resulted in ending of government land retirement programs. Remaining production control programs such as for rice and peanuts were strongly criticized as being contrary to the public interest in expanding production to fill both domestic and foreign food and fiber needs at reasonable prices. Production controls were discontinued on rice.

Some suggest that the problem of overcapacity is past. Yet large surpluses of rice exist. Wheat prices have fallen below full costs of production. Another year of high wheat production could result in record stocks, extremely depressed prices, or unacceptably high program costs. Pressures therefore, exist for production control in the U.S. while total world stocks of grain are relatively low and problems of malnutrition exist.

Current Situation—The 1973 Act

Some of the control provisions of the Agriculture Act of 1970 and earlier legislation were continued in the Agricultural and Consumer Protection Act of 1973. The 1973 Act provides authority for the Secretary of Agriculture to establish cropland set-aside and additional diverted acres and use acreage allotments if he determines that these actions are necessary for wheat, feed grain, or upland cotton. Wheat and cotton marketing quotas were suspended through 1977.

Cropland Set-asides

The Agriculture and Consumer Protection Act of 1973 authorizes the use of cropland set-asides for upland cotton, wheat, and feed grains (corn, grain sorghum, and barley). The Rice Production Act of 1975 authorizes set-asides for rice.

If the Secretary of Agriculture finds that greater restrictions are necessary, he can ask for diversions beyond the set-aside requirement. Farmers who make these additional adjustments are entitled to compensation. There has been no set-aside of cropland under the Act of 1973. Set-asides were not used because supplies were not excessive and the department wanted to encourage production.

Marketing quotas are currently in effect for extra-long staple (ELS) cotton, peanuts, and most kinds of tobacco. Quotas had also been used for wheat and upland cotton, but these were suspended by legislation in the 1960's and later by the 1973 Act for 1974-77.

After proclamation, quotas go into effect only if approved by two-thirds of the producers voting in a national referendum. If ratified, all producers who are not granted exemptions are penalized for any production from acreage in excess of that assigned under their allotment. The crop grown on the farm allotment acreage may be considered as the farm quota.

Alternatives

Alternatives exist with respect to whether production control programs are to be used, whether they are to be applied on a commodity or general basis, and whether they are to be voluntary or mandatory.

Control or No Controls

The Secretary of Agriculture has the authority under the 1973 Act to establish a set-aside. This authority could be extended in the new farm legislation, modified or removed. Modification would likely reduce the discretion of the Secretary in applying controls and increase provisions for mandatory controls.

General or Commodity Controls

Surplus conditions currently exist only in rice and wheat. Incentives will exist to address these problems on a commodity basis and thus impose production controls only on rice and wheat. Commodity controls have been tried before. The effect has been to cut back on the production of the controlled commodity but use acreage to expand production of other commodities. Thus the surplus problem tends to be transferred from controlled product to those not controlled. Controls gradually spread across agriculture. General set-asides which apply to all commodities are more effective in dealing with a general problem of excess capacity in agriculture and allow greater producer freedom and flexibility in adjusting production patterns.

Voluntary or Mandatory Controls

If controls are to be established on either a commodity or general basis they can be either voluntary or mandatory. Voluntary controls exist when the producer has a choice of whether or not he participates in the program. Under placing his land in the set-aside program. Payments must be high enough to induce the farmer to put the land in the program. Additional incentives are frequently provided by making eligibility for price support or deficiency payments contingent on set-aside.

Mandatory controls are normally imposed only if two-thirds of the producers vote for them. They may be combined with marketing quotas to make the production control program more effective. Producer compensation for mandatory controls is usually limited to higher product prices and resulting appreciation in land or allotment values.

Consequences

Producers benefit from production control programs in the form of higher prices, less price variability and appreciation in land or allotment values. The more effective the program is in controlling production, the greater the benefits to existing producers. So mandatory programs are more effective in raising prices than voluntary commodity programs. If programs are on only a few commodities, those producers' benefits may be at the expense of producers of commodities for which production is not controlled. In addition for any production control program, present producers benefit at the expense of future producers. Future producers must pay the cost resulting from higher land or allotment values.

Agribusiness generally opposes production control programs because they reduce volume of products produced. However, producers may compensate for reduced acreage by applying more inputs such as fertilizer to the remaining land. Thus reduction in inputs and production is frequently less than might be anticipated unless acreage controls are combined with strict quotas.

Foreign consumers experience less supplies available at higher prices. If there is a crop failure on reduced acreage the effect for foreign consumers might be disastrous because the United States is an important source of supply and is likely to take care of domestic needs first, even if it means imposing export controls.

U.S. consumers also experience higher prices. These higher prices result because supply is restricted and cost of production is increased.

Government involvement is greatly increased by production control programs. On the other hand, government costs can actually be reduced. For example, the tobacco production control program is a low cost program. On the other hand, the peanut production control program has a high cost because of high price supports in addition to acreage restriction.

One danger in imposing production controls in the current situation is that if a crop failure should occur it could result in a public rebellion against all farm programs or result in substantially greater government regulation of agriculture. On the other hand, if production is not controlled and support prices are raised substantially, government costs could become so high that all farm programs would be abandoned. Thus a real dilemma currently exists over the production control issue.

SPECIAL COMMODITY PROGRAMS

(Harold D. Guither,² University of Illinois)

The 1973 Agriculture and Consumer Protection Act established price and income support programs for wheat, feed grains, and upland cotton using a combination of target prices, deficiency payments, and cropland set aside. A similar program was established for rice in 1975 and became effective for 1976 and 1977.

What is the Issue?

Special Commodity programs for peanuts, tobacco, and extra long staple cotton have continued, based on the authority from the Agricultural Acts of 1938 and 1949, outside the 1973 act. Dairy and wool and mohair have had special programs based on other legislation. Sugar was handled under special legislation until 1974.

The major issue for these remaining individual commodity programs is (1) whether they continue to operate separately with the special requirements and control programs, or (2) whether they can or should be integrated into those support programs that would use target prices, lower level loan rates and deficiency payments, and place less restriction on producers.

Underlying this issue with each of the special commodity programs is what the appropriate role of supports should be. Are they to stabilize prices and supplies or should they guarantee a return for each producer? The role of target prices also needs to be examined along with where loan rates would be set when target prices are in effect. Are there special conditions that war-

² Counseling assistance was received from Donald E. Anderson, North Dakota State University; Robert S. Fitch, University of Arizona; Harold G. Love, University of Kentucky; Boyd M. Buxton University of Minnesota; and many staff members of the Economic Research Service U.S. Department of Agriculture.

rant special treatment for a commodity different than those now used for the majority of the agricultural output from wheat, feed grains, rice and cotton?

Dairy Products

Under current legislation dairy products are supported through government purchases to maintain prices at 75 to 90 percent of parity. Although the basic price support legislation goes back to the Agricultural Act of 1949, revisions and modifications were made in the Acts of 1970 and 1973. Currently, manufactured milk is supported nationally at \$8.26 per hundred pounds or about 81 percent of parity.

The authority for federal market orders comes from the Agricultural Marketing Act of 1937. The objective was to stabilize prices for producers and assure adequate supplies for consumers.

Existing legislative authority for Class I and seasonal base plans under federal orders, for transfer of CCC stocks to the military and Veterans Administration, and for dairy indemnity payments, are scheduled to expire at the end of 1977.

What are the Issues?

In 1977, three major issues most likely to be discussed are (1) level of support for milk; (2) whether the support price should be adjusted quarterly or semi-annually; (3) whether the Class I Base plan should continue.

A key issue with present dairy programs centers around the mechanisms for setting support levels. Commonly discussed alternatives are: (1) continue to use 75 to 90 percent of parity range and let the government buy to keep manufacturing milk prices at the minimum figure announced by the Secretary of Agriculture; or (2) use a cost of production figure as a basis for support.

The use of parity in setting price support levels is questioned because the index includes many items besides dairy farmers' production inputs.

Use of average production cost figures is stimulating considerable interest and discussion. Costs vary from state to state, by size of farm, and by management ability of the dairy farmer. They vary directly with feed costs and beef prices.

Support prices for manufactured dairy products have been adjusted annually under past legislation. With rapidly changing prices for feed and other inputs, a quarterly or semi-annual adjustment would more closely place support levels in line with changing production costs. However, higher support prices based on rising costs will not reflect consumer demand.

Class I base plans were established in the Agricultural Act of 1970 and continued through 1977 in the 1973 Act. They are currently in effect in only two markets. The main question is whether production bases using historic production should continue or be dropped. To continue authorization would permit a type of monopoly control of supply that is counter to the direction of other commodity programs. But some producer groups have indicated support for the plan as a means of controlling supply in a period when stocks may be building up. Discontinuing the plan would mean some loss of capital value in the bases owned by producers in those areas where the Class I Base Plan is in operation.

Some more fundamental policy questions revolve around the need to make major modifications in the federal-state order system of classified pricing for milk and dairy products. Some suggest eliminating the present program while others would modify it. These issues are not likely to get major attention in 1977.

Peanuts

The present peanut program dates back to 1949. Prices are supported by marketing quotas and by non-recourse loans provided through the three peanut growers associations. The Secretary is required by law to propose marketing quotas every year, regardless of supply.

More than two-thirds of all peanut producers have approved the marketing quotas in a referendum for the past 30 years. The loan level can be set at 75 to 90 percent of parity depending upon supply. Without quota approval, support would be at 50 percent of parity. Under marketing quotas penalties are applied to the excess production of growers who do not comply with their acreage allotments.

In 1976, the average support level was 20.7¢ per pound, the 75 percent of parity minimum. Prices to growers are expected to average 20.5¢ per pound.

In recent years, the national allotment have been set at the minimum allowed by law of 1.6 million acres. Surpluses have built up as yields have risen faster than the demand for edible peanuts. It is expected that one-fourth of the 1976 crop of 3,671 million pounds will be acquired by the government.

To reduce its inventory, the CCC instituted a toll crush program in 1975 by which crushers acquired ownership of the meal but delivered the oil to CCC. This oil is used for manufacture of shortening, margarine, and cooking and salad oils, which are distributed through domestic and foreign donation programs.

Policy Alternatives

Policy makers face these alternatives for peanuts: (1) keep the present program with the marketing quotas; (2) keep the present program but further reduce allotments to balance supplies with demand for whole peanut users; (3) set up a two price system with a higher price for use of whole peanuts and a lower price for crushing into oil and meal; (4) shift to a program with target prices, lower loan rates, and deficiency payments similar to wheat and feed grains; (5) shift to a program similar to soybeans where there are no acreage allotments and with loan rates near average market prices.

Consequences

(1) The present program with no changes would result in further accumulation of government stocks, loss of foreign markets, higher government costs and no price change for U.S. consumers.

(2) Reducing acreage allotments to bring production in line with demand for edible uses of whole peanuts would reduce government costs but also reduce incomes of peanut producers and result in a capital loss from the reduction of their allotments. Consumers would still pay as much for peanuts and peanut products. Foreign trade would be reduced since prices would be above the world market and most domestic output would be used in this country.

(3) Establishing a two price system was seriously considered by Congress in 1976 and is likely to be considered again. Such a program would offer growers less income from part of their crop but would open the way for expanding production for oil and meal uses. Government costs for storage of surplus would be reduced. Consumers would pay as much for products made from whole peanuts, but prices of peanut oil and meal could be reduced if supplies were adequate. Foreign trade in peanut oil and meal could be increased. Some government costs for the program would be involved in administering the program but probably less than the current program.

(4) Shifting to a system of target prices, loan rates, and deficiency payments would place peanuts in a program similar to other major commodities. It would mean lower returns per acre for peanuts than now received by producers under the restrictive program. However, this program should give producers more freedom to shift from one crop to another and peanut acreage could shift from smaller to larger, lower cost producers.

Level of target prices and loan rates would be a key question as to how producers would react and government costs would be affected. Producers income from peanuts might not change very much from the current program, but they would suffer some capital loss from reduced allotment values. Consumers would probably see slight declines in prices of peanuts and peanut products but not very significant. Costs of marketing and processing would continue and make up a large part of the retail price to consumers. International trade in peanut products could increase if market prices were competitive with world market prices or if the government subsidized exports.

(5) Shifting to a program similar to soybeans would bring considerable reductions in incomes from growers but would be the least costly to government. Consumers would have the lowest prices for peanut products if loan rates were set in line with market prices. Total output could decline especially in high production cost areas.

Wool

The wool support program was first authorized under the National Wool Act of 1954 with extension to 1977 in the 1973 Act. The Wool program was enacted by Congress on the assumption that (1) wool is an essential and strategic commodity which the U.S. does not produce in sufficient quantities

and grades to meet the domestic needs, and (2) desired domestic production is impaired by depressing effects in world markets.

An incentive price is established. Farmers sell their wool on the market and if average prices received by all producers is less than the incentive price, a producer gets a deficiency payment based on the percentage difference between the incentive and average market price and the returns received by each individual producer. Payments have been made every year except 1973.

The issues in the wool program involve the cost to the government and whether the payments are really providing an incentive to produce more wool, and promotion efforts are really helping U.S. producers. Domestic wool production has dropped each year since 1960.

Policy Alternatives

The policy alternatives include: (1) continue the present incentive program; (2) discontinue all payments and support prices; (3) and modify the support program by establishing a loan rate at a set price.

Continuing the present program would save the government the cost of payments which have ranged from zero to \$110 million annually since 1972. However, this cost is paid by revenue from import duties which would probably be decreased if the wool incentive program were discontinued. Producers might receive less income from wool and reduce their production still further.

Shifting to a straight commodity support program would reduce risk for producers from fluctuating world prices. It could result in government costs for storage of wool in years when prices dropped below the loan rate. If the loan program did not provide any incentive to increase production, or discouraged production, then more wool would have to be imported to meet domestic needs.

Tobacco

Tobacco support programs date back to the Agricultural Acts of 1938 and 1949, as amended. Marketing quotas and loans made to growers through their marketing associations are used to support each of the major classes—burley, fine-cured, Puerto Rican, sun-cured and cigar, dark air cured, and dark fire cured.

The major issues in the current tobacco programs are: (1) whether tobacco should continue under strict control of production and marketing; (2) whether supports should be shifted to respond more with the relative market value of different types of tobacco; and (3) whether government funds should be used to encourage production of a commodity that carries risks to health.

Policy Alternatives and Consequences

Four possible policy alternatives for tobacco are: (1) keep the present program with its restricted control of acreage and marketing quotas; (2) modify the program to a system of target prices, support loans and deficiency payments; (3) allow transfer of leases to interregional and interstate basis; (4) eliminate all price support and acreage control programs.

By maintaining the present program, many small farmers would continue to get the benefits of a high return from their restricted acreage allotment. Government costs are relatively small but have been going up as CCC stocks have risen. Present support prices do not fully reflect the market usability of the tobacco leaves. Overseas producers are increasing output and may provide competition for our producers.

By shifting to a system of target prices, support loans and deficiency payments, producers would be protected against some risk, prices could reflect the value of various grades, and government costs could decline unless deficiency payments were high. However, incomes of producers could decline, and some small growers might be forced out as larger, more efficient producers expand production, if they were permitted to do so. If permitted, acreage allotments would likely shift to production on larger, lower cost producing farms.

If all tobacco programs were eliminated, production would move to larger farms, become more mechanized, and many small farmers could no longer compete or would have sharply lower incomes. Moreover, there would be a considerable impact on the value of the land. The current market value for leases to produce tobacco is 25 cents per pound. This is the value of the allotment and does not include land, buildings, or equipment. Should farmers be compensated for loss of the capital value of their allotments?

Incomes of tobacco producers would decline. If many of the small producers did not have the income from tobacco, they would be forced to produce lower value crops, accept much lower incomes, and even be forced to apply for welfare aid assistance in some cases.

Small towns would suffer as smaller producers would have less income to spend for production and consumer goods. Consumers would pay about as much for tobacco products under any system since raw tobacco is only a small part of the total cost of manufactured products.

The health issue is the main argument made by some who want to eliminate tobacco price support programs. They argue that the government should not spend money to promote a product that may cause serious health problems, when it is also spending money to discourage use of tobacco products as harmful to health.

Foreign trade in tobacco could be increased if producers can compete in the world market. Some classes of tobacco are more dependent on foreign trade than others. From 50 to 60 percent of flue cured production has traditionally been exported as compared to 10 percent or less of the burley crop. Flue cured exports have been shrinking. Under the present restricted marketing quotas system and high support prices that do not fully reflect the most usable products, tobacco exports are adversely affected.

Extra Long Staple Cotton

The extra long staple cotton, (ELS), program includes acreage allotments, marketing quotas, nonrecourse loans and supplementary payments. ELS is a special type of cotton that makes up less than one percent of the total U.S. cotton production. Upland cotton is the major type and produces most of the total income of cotton producers. Most ELS cotton is grown in Arizona, New Mexico and west Texas. Only about 2,000 growers are involved in the program.

The costs of producing an acre of upland and ELS cotton are quite close, but the yield of ELS is only about 60 percent as much. Special ginning equipment is also required to handle ELS cotton. Many growers in 1976 did not use their allotments because of high irrigation costs and the lower yields of ELS cotton. Domestic production is less than needs and some is imported to make up the deficiency. The 1976 planted acreage was only about two-thirds of the national allotment.

Policy alternatives are: (1) keep the present program to provide an incentive to produce a specialized commodity. Loan rates have been under market prices so CCC has not acquired stock. Payments are the main government cost; (2) Shift to no program and let mills contract with growers at a price to cover growers costs and some incentive to grow the crop; (3) Shift to a target price and deficiency loan program similar to upland cotton. Government administrative costs could be reduced if the program could be handled along with other cotton. Deficiency payments could be less than current payments that are made irregardless of market price.

Unless ELS production is maintained or increased, mills will import more of this special cotton.

Consumers would not be affected much by any program alternative since the costs of ELS products are higher and few consumers buy this very specialized product.

The ELS gin operators would be affected if production were completely eliminated, but more likely contracts would keep some production in this country.

Sugar

The Jones-Costigan Act of 1934 and the Sugar Acts of 1937 and 1948 formed the basis of U.S. sugar programs until 1974. After the Secretary of Agriculture had determined total needs, quotas were assigned to domestic and foreign producing areas that would maintain target price levels. In the latter part of the Act, prices were established by using a formula composed of farm production costs and the Consumer Price Index.

The Act which expired in 1974, had the goals of providing stable retail price to consumers and reasonable returns to domestic sugar growers, which provided a profit above the cost of production. The Act also regulated labor relations with migratory workers, import tariffs, excise taxes, and the importation of sugar products.

Sugar is an unique commodity in that high capital investments in processing facilities are required near areas of production. So an unstable market is a strong deterrent to capital investment. When sugar prices fall, farmers shift to other crops leaving the processor without the raw commodity to process. Virtually all other countries of the world have price stabilization programs in their domestic markets and long term trade commitments to stabilize their exports.

Policy Alternatives and Consequences

For sugar, the policy alternatives include: (1) continue to operate as in 1975 and 1976 with high import quotas and low level import duties; (2) reinstate the Sugar Act that expired in 1974; (3) set up variable import duties to stabilize prices; (4) join the International Sugar Agreement; (5) have the government buy foreign sugar and resell it in the U.S. market at administered prices; (6) set up direct payments to producers based on the target price concept, along with domestic production controls.

If the U.S. decides to operate without new legislation, some believe that the likely results will be a gradual demise of the domestic sugar industry as present capital investment is depleted; extremely volatile prices, and uncertain supplies during periods of short world supply.

Reinstating the previous sugar program would protect producers in this country by controlling imports more closely. Consumers would pay slightly more for sugar but prices would be more stable.

The government would be more involved under any program that would require setting prices and distributing import or domestic production quotas, for in effect, it would determine the rights of foreign and domestic producers to a share of the U.S. sugar market.

Technological development in producing high fructose corn syrup opened the way for U.S. produced corn sweeteners to compete for certain uses of regular cane or beet sugar. High sugar prices in 1974 and 1975 stimulated the demand. Any sugar program will influence the level and stability of demand and prices for all sweeteners produced in this country.

CROP INSURANCE AND DISASTER PAYMENTS

(Thomas A. Miller and Alan S. Walter, Economic Research Service,
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What Are The Issues?

The Agriculture and Consumer Protection Act of 1973 initiated a new program to protect producers who have wheat, feed grain, or upland cotton allotments against income losses due to prevented planting or low yields for the period 1974-77. In the first two years (1974-75) of the Disaster Payment Program (DPP) administered by the USDA's Agricultural Stabilization and Conservation Service (ASCS), payments totaled \$840 million. Without legislative action, the DPP and associated benefits will expire after the 1977 crop. The immediate issue is whether Congress should extend the DPP intact or in some modified form.

This question is only part of the broader issue of the proper role of Government in offering risk protection against natural hazards faced by farmers. The Federal Government also has programs other than the DPP which offer risk protection to farmers, as does the private insurance industry. The Federal Crop Insurance Corporation (FCIC) is a federally chartered agency which has offered insurance to farmers since 1939. Even considering all 22 crops insured by FCIC, the DPP is still a much larger program in terms of participation and payments or indemnities to farmers. In comparison, FCIC paid out a total of \$126 million in 1974 and 1975.

Other disaster protection is also available through such programs as the Farmer's Home Administration (FmHA), but most of this relief is of an emergency nature and is restricted by the requirement that a disaster be declared by the President, a Governor, or other official. Such federal programs supplement the private insurance industry which has traditionally offered protection against hail and fire, but which has never successfully offered multiple-peril insurance on a large scale.

Within the broad issue of the proper role of the Government in providing risk protection to farmers, specific questions relate to the type of programs that

should be available. Should both the DPP and Federal Crop Insurance (FCI) continue for the program crops? Should the Government in some way encourage the private insurance industry to provide multiple-peril crop insurance? Should provisions of any of the programs be revised? Should the DPP be expanded to include other crops such as soybeans, oats, or tobacco? Should the overlap among these Government programs be eliminated? How should the programs be structured—what should the payment rates be, who should pay the cost of premiums, and what losses should be covered?

Why Is This An Issue?

Farmer's increased need for disaster protection as production costs increase, apparent inadequacies in the current programs to meet these needs, apparent abuses or inequities in the present programs, and the high Government expenditures since 1974 make disaster protection an issue. The DPP was adopted with little consideration of how the specific provisions would work and with little knowledge of its likely costs to the Government. It has proven to be costly and several weaknesses in its provisions have become apparent from experience gained during the first two years of operation.

Specific problems with the current DPP are numerous. Many of the provisions would not be offered in a sound insurance program.

1. The payment rate of the larger of either one-third of the target price or the established deficiency payment rate is considerably below costs of production.
2. While farm allotments and bases have not been used for production control since 1973, they are still preserved by ASCS as a basis for the DPP. Benefits are based upon the short fall between the actual production and the farm's base production (allotment times the ASCS established yield) making producers without allotments ineligible for benefits. Those who overplant their allotments face reduced per acre benefits or no benefits.
3. The determination of eligibility for benefits is based upon two-thirds of the established yield, but once a farm is eligible, payments are based upon the entire short fall between established allotment production and actual production. As a result, one bushel or pound of production above the critical eligibility level can make a producer ineligible for a large payment.
4. The provision which allows producers to receive payments if prevented from planting is difficult to administer and subject to abuse.
5. Cotton receives special treatment under the prevented planting option since benefits can be received even if another crop is planted later. If a producer plants a substitute crop for wheat or feed grains his payment is reduced proportional to production from the substitute crop.

On the positive side, the DPP has been beneficial and may have kept numerous farmers out of bankruptcy during unfavorable crop conditions. Many farmers like the program because it offers disaster protection without a premium cost. Farmers in high risk areas where FCI is unavailable now have protection against natural crop hazards—with the increased specialization of farms and higher costs of production, this protection is important as a means to guard against loss of income.

The DPP is in a sense in competition with the FCIC. Farmers eligible for the DPP may be less inclined to purchase FCI than if the DPP were not available. However, not all producers are able to purchase FCI since the enabling legislation requires FCIC to operate a sound program with authority to refuse insurance where the risks are excessive.

As a result, FCI is not offered in many counties or even in areas or to producers within counties where the risks of crop failure are high. Even where available, FCI has a low level of participation with only about 17 percent of the eligible acreage of wheat, corn, barley, grain sorghum and cotton insured in 1976.

The private insurance industry has misgivings about both the FCI and the DPP because such programs may hurt their present or potential sales. Private industry has long been interested in providing multiple-peril coverage of crops and has attempted to do so in the past. However, these efforts have been unsuccessful because of the unavailability of reinsurance to spread the risks over time, lack of data on which to base rates, and having to compete with the FCIC which receives a Treasury appropriation to cover administrative and operating expenses.

Policy Alternatives

A wide range of options may be considered for adoption through new legislation.

1. Renew the DPP without modifying any of its provisions in the 1973 Act.
2. Allow DPP to expire and allow the FCIC to continue operating under its present charge. Disaster protection would then be the same as before the 1973 Act was passed.
3. Encourage the private insurance industry to offer multiple-peril crop insurance. This might be accomplished by offering FCIC reinsurance to help spread the risks over time.
4. Terminate the DPP and expand the FCIC program. Under this option, FCI coverage would be made nationwide for the program crops and the now minimal effort at selling and promoting FCI would be expanded. Government premium subsidy could be used to increase the participation in the program.
5. Amend the DPP provisions to make the protection more in line with the needs of producers and to remove some of its unsound provisions. This includes the unequal treatment between cotton and the other crops with respect to the prevented planting provisions and the problems associated with making a payment of at least one-third of the maximum possible payment on the basis of a threshold farm yield.
6. Eliminate the current overlap between programs. This could be accomplished in a number of ways such as requiring the purchase of FCI if available in order to be eligible for disaster payments or not offering the DPP to producers who were eligible to purchase FCI.
7. Expand the emergency loan program offered by FmHA and the disaster assistance offered by other agencies to reach more producers.

Consequences

The results of any action taken by the Congress will affect the extent of coverage of natural disasters that are faced by farmers, the rate at which they are indemnified, and the costs of this protection to taxpayers. The ability of farmers to purchase inputs and obtain credit in years of low crop yield are substantially dependent upon the level of disaster protection provided.

To the extent that benefits are capitalized in the land values, any governmental role in financing the program could affect the prices paid and received for land. Farm income protection is important not only to farmers but also to their communities.

Beyond the farm gate, the impact of farmer disaster protection on consumers is difficult to evaluate. However, there is evidence that reducing the risks associated with crop production would increase the supplies of food and reduce food costs in the long run.

EXPORT AND IMPORT POLICIES

(Ronald D. Knutson, Texas A & M University and V. L. Sorenson, Michigan State University)

What Is The Issue?

Grain export embargoes, beef and dairy imports have made export and import controls major food policy issues. The issue of import and export controls involves the conditions under which foreign producers and consumers are to have access to U.S. markets as either sellers or buyers. The nature of the issue varies depending upon whether the general economic and specific commodity situation is one of short supply and high prices or surpluses and low prices as indicated below:

U.S. supply situation	Controls	
	Export	Import
Short supply-----	<ol style="list-style-type: none"> 1. Embargoes. 2. Licensing. 3. State trader. 4. Trade agreements. 	<ol style="list-style-type: none"> 1. Increase quotas. 2. Lower tariffs. 3. Trade agreements.
Surplus-----	<ol style="list-style-type: none"> 1. Subsidies. 2. Two price plans. 3. Public Law 480. 4. Trade agreements. 	<ol style="list-style-type: none"> 1. Increase tariffs. 2. Lower quotas. 3. Other nontariff. 4. Trade agreements.

If the situation is one of short supply and high export demand consumer and government pressures build to impose export controls. Such controls may be in the form of export embargoes, export licensing, trade agreements or the government could become the exporter as a state trader.

Trade agreements may be used to ration supplies among major customers by providing both minimums and maximums on shipments. In times of short supply, on the other hand, trade agreements may be used as a form of import controls to assure a supply of commodities imported such as sugar or coffee. The U.S. might also react to a short supply situation by lowering tariffs, increasing quotas or even subsidizing imports.

In a surplus situation the problem is one of low prices, insufficient demand and excess foreign competition. The reaction is one of moving commodities out of the U.S. and preventing them from being imported. Export assistance in the form of subsidies, plans which price exports at a lower level than domestic sales, shipments under P.L. 480 are proposed and frequently adopted. Trade agreements are viewed in the context of providing an assured market and incentives exist to establish international commodity agreements among exporters for a minimum price floor. Problems of excessive foreign competition are dealt with by pressures to impose tariffs, quotas, or other nontariff barriers to products entering the U.S. Informal trade or "orderly marketing" agreements are sometimes negotiated.

Why Is It An Issue?

Both foreign producers and consumers want access to our markets. Foreign consumers and livestock producers want access to our grain. For grain the U.S. represents one of only a few major excess supply sources. Access to it can actually mean the difference between the availability of food and shortage. At home, however, U.S. consumers apply pressure on public officials to control or stabilize rising food prices by limiting exports. Producers fear embargoes will both destroy foreign markets and be used to place an upper limit on prices.

Surpluses bring calls by grain producers for export subsidies and from livestock and milk producers for import controls. Both beef and dairy producers suggest that import controls are necessary if they are to produce the quality and quantity of beef and milk demanded.

Despite particular protectionist policy, the U.S. government has historically expounded the virtues of free trade in agricultural products. It has been a leader in efforts to negotiate lower trade barriers. This policy has both selfish economic and humanitarian basis. From an economic standpoint U.S. producers have had lower production costs for major food and feed grains than most other countries. From a humanitarian standpoint, free trade results in more food being available to more people of the world at a lower cost.

Exports are critical to a prosperous farm economy. Food and fiber exports are necessary to pay for the products we import, especially oil.

The Current Situation

Legislation for export controls in situations of short supply is provided by the Export Administration Act. This Act gives the President the power to impose controls for three reasons: a short supply situation, foreign policy or national security. The President has substantial discretion in determining when these reasons are satisfied. The President also has substantial latitude to reduce import tariffs or increase quotas in a short supply situation as was done in the case of beef and dairy imports in the early 1970's.

For surplus situations much of the export assistance and import protection stems from the need to complement U.S. target and price support programs and control program costs.

Beef and sugar are special cases in that import quotas are not tied to price supports. In beef and textiles, quota restrictions have been supplemented with "orderly marketing agreements." Controversy currently exists on the need to impose tariffs on palm oil entering the U.S. in competition with soybean, cottonseed and peanut oil. When sugar prices rose sharply in the early 1970's, an intensive system of legislatively mandated quotas were removed.

Policy Alternatives

Presidents have generally favored flexibility to manage import policy in line with what is deemed to be in the national interest as is done with other aspects of foreign policy and is currently the case under the Export Administration Act.

Export Controls

Four basic alternatives to present policy exist for controlling exports in a short supply situation: (1) remove authority for embargoes; (2) congressional power to reverse Presidential action; (3) export licensing and (4) centralization of exports in the hands of government. Specific proposals exist which would give Congress the power to reverse a Presidentially imposed embargo within a specific period of time and to have the Commodity Credit Corporation act as an exclusive export agency.

A move back into surpluses will once again raise a specter of concerns about export subsidies, two price plans, and increased levels of P.L. 480 shipments. Such concerns will be increased if support prices are raised above world prices. Pressure will once again develop for international commodity agreements to establish price floors and/or preferential trade agreements.

Import Controls

Import alternatives relate to the level of tariff and non-tariff restrictions for commodities, as well as the placement of responsibility for imposing import controls. Excess supplies and generally low prices by foreign nations have created substantial pressure to increase exports for milk, beef and sugar to U.S. Producer and consumers will question the extent to which beef and sugar quotas should be further limited by law or eliminated.

Consequences

Generally speaking, lower export and import controls represent movements toward free trade.

Producers are adversely affected by export controls. Controls lower producer prices. In the longer term export controls jeopardize the dependability of the U.S. as a source of grain. The unpredictability of export embargoes results in increased uncertainty and price instability. On the other hand, export assistance in the form of subsidies on P.L. 480 helps to expand foreign markets and raise prices. However, they transfer our surplus problem to the foreign producer. Producers of commodities on which import controls exist benefit from higher prices. However, U.S. producers in total might be hurt in the sense that import controls create incentives for other countries to control imports of U.S. products where we have a comparative advantage such as grains. U.S. producers cannot expect to have free access to foreign markets if foreign producers are denied access to U.S. markets.

Agribusiness is most adversely affected by uncertainty of government policies with respect to either exports or imports. Most firms that deal in exports or imports are multinational and therefore deal in the products of all countries. While making the U.S. a state trader would substantially change the relation of government and the major grain exporters, they would still be major factors in domestic and international grain trade. Similarly agri-business has substantial flexibility to adjust to import controls but would prefer a free trade situation.

Foreign Consumers are denied access to our markets by export controls. World prices rise relative to U.S. prices. Export assistance, on the other hand, increases supplies available to foreign consumers and lowers their prices. Import controls prevent foreign products from moving into U.S. markets and thus tend to benefit foreign consumers.

U.S. consumers benefit from lower food prices resulting from export controls to the extent that lower farm prices result in lower retail prices. While producers desire no export controls, if food scarcity develops the public will likely demand that the impact of food shortages be minimized by embargoes, licensing or state trading. While export assistance in the form of P.L. 480 or subsidies increase consumer prices, consumer willingness to support P.L. 480 in the face of higher prices results from humanitarian considerations.

Government has substantial power to influence domestic farm and food prices by export and import policies. Such policies, however, run counter to our basic free trade policy. Government costs are increased by export subsidies and P.L. 480. On the other hand, import controls of price supported commodities reduce government costs and are in fact, essential to maintaining the integrity of these programs if domestic support prices are established above world prices.

GRAIN RESERVES: ISSUES AND POLICY CHOICES

(Everett E. Peterson, University of Nebraska and Barry L. Flinchbaugh, Kansas State University)

What Is The Issue?

The main issue is whether grain reserves shall be held by the U.S. government for the purposes of meeting emergency needs and reducing year-to-year market price variations, or whether publicly-held grain reserves will continue to be a by-product of supporting certain farm commodity prices. From this basic issue, several related questions arise. What instabilities come from no, or inadequate, reserves and who is affected? Who gains and who loses from reserves? How large should reserves be? What mix of commodities should be included? What price and quantity rules should be established for acquiring and releasing stocks? What will reserves cost and who will pay this cost? Is the United States morally obligated to stockpile food for the world's hungry people?

Why Is This An Issue?

The main reasons given for having commodity reserves are:

1. To have adequate supplies for domestic needs from one production period to the next;
2. To reduce price risk and improve efficiency in grain production by encouraging long-term investments in agriculture;
3. To provide the basis for more stability in the livestock and poultry industries;
4. To stabilize food prices to consumers;
5. To maintain or enlarge exports and encourage trade liberalization by being a reliable supply source;
6. To facilitate food assistance programs for needy people at home and in other countries.

Recent interest in publicly-held grain reserves comes from: year-to-year variations in supply since 1972, fear of food shortages in poor crop years, export embargoes, increasing commercial exports, higher food prices to consumers, and sharp fluctuations in grain prices.

World grain stocks (including rice) averaged 170 million tons in 1960-72, enough for three month's consumption. By 1975, stocks had declined to 123 million tons. With good crops in 1976, stocks are estimated to rise to 150 million tons at the beginning of 1977-78 marketing year.

From 1950 through 1971, food-deficit countries relied upon the U.S. and other major grain exporters to carry sufficient stocks to stabilize supplies and prices. This confidence was badly shaken by the set of circumstances occurring in 1972-75 which depleted grain stocks in the U.S. and world-wide, causing concern over possible food shortages.

Grain Reserves Under The 1973 Act

Provision was made to establish a reserve of inventories not to exceed 75 million bushels of wheat, feed grains and soybeans to alleviate distress caused by natural disaster. Except for this small reserve, the Act continued the price support loan and storage program which has been used since 1938 to provide floors under prices of specified products. Reserves are acquired when farmers deliver these products to commodity credit corporation instead of redeeming their loans. CCC stocks can be released when prices rise above certain levels.

Under this non-recourse loan program, government-held stocks tended to accumulate in the 1950's and 1960's as agricultural technology boosted total crop production more than enough to offset supply-reducing effects of land retire-

ment and additional exports under P.L. 480. Once acquired, these surpluses were regarded as costly and price-depressing. In times of greatly increased foreign needs due to war or crop failure, the surpluses are suddenly transformed into "strategic reserves."

Few farmers participated in the loan-and-storage program in 1973, 1974, or 1975 but they are doing so for 1976 wheat and feed grain crops. When these loans mature, CCC will again own stocks of grain unless market prices rise enough so farmers pay off the loans.

Food Reserve Policy Choices And Their Effects

The principal policy choices in regard to reserves are: stocks held by producers and marketing firms with little government intervention; supplementary government-held stocks; multi-national reserves held by importing and exporting nations; international commodity reserves; and some combination of these.

Reserves Managed by the Private Sector of the Economy

Producers and marketing firms own and control reserves. They decide how much to store and when to sell or buy. In good crop years prices will decline; when crops are short prices will rise sharply.

Development of private grain stocks would be consistent with a farm policy of setting prices in the market. Under this alternative the stocks would primarily be used for commercial objectives. Producers hold grain stocks because they expect the price to rise more than enough to cover their storage costs. The grain trade would tend to be more concerned with volume and margin per unit rather than holding stocks for humanitarian purposes. Responses to an emergency might be too slow.

When food is stored, someone pays storage costs. These costs will either be passed back to the producer as lower prices or forward to the consumer as higher prices.

U.S. experience in marketing years 1972-73, 1973-74, and 1974-75 demonstrated what can happen to prices received by farmers and paid by consumers for food when stocks are depleted due to production shortfalls and greater foreign demand. This may lead to export restrictions and uncertainty among importers as to U.S. reliability of a supply source.

Consequences of private reserve management are:

- (1) Price instability to producers due to variations in world supply and demand conditions, but higher average prices over time;
- (2) Higher food prices in years of short crops but little, if any, decline in years of abundant supplies due to the inflexibility of marketing margins;
- (3) Possibility of under or over-holding of reserves by producers and processors because of inadequate market information and lack of organization; and
- (4) Low government costs for administering, storing and maintaining food reserves; storage costs shared by producers and consumers.

Supplementary Government-Held Reserves

Some people feel that grain stocks carried voluntarily by producers and the grain trade will be inadequate and that the nation's food policy goals will be more nearly achieved by a well-managed public grain reserve program.

One proposal for managing reserves, in effect, sets both upper and lower limits on farm prices. At the lower limit, the loan prices, stocks are bought; at the upper price limit, stocks are released. A variation of the release provisions calls for disposal of a certain percent of stocks for each 10 percent increase in price above the release activating price. Prices fluctuate between the two levels. The general price level is the market price determined by quantity of stocks. This procedure may come into operation if the 1973 Act is extended but with higher target prices and loan rates.

Another approach establishes a level of reserves which the government holds until a policy decision is made that an emergency exists, justifying release of stocks.

Advocates of publicly-held reserves point to these desired results: (1) increased price stability, (2) reduced risk, (3) less need to impose export embargoes, and (4) greater consumer assurance of an adequate and dependable

supply of grains. Price stability reduces risk in livestock production. It makes marketing decisions easier for grain farmers. It reduces swings in food prices and thus helps reduce inflationary pressures as well as consumer and labor pressures on government.

Those who oppose government reserves suggest that reserves: (1) distort market signals, (2) depress farm prices, (3) discourage importing countries from holding reserves—placing the full burden of reserves on the American taxpayer, (4) are subject to political manipulation and (5) are costly to manage and hold.

Reserves Held by Importing and Exporting Nations

Besides establishing a supplementary publicly-held reserve, the U.S. government could encourage other countries to establish their own grain reserves. An additional stabilizing influence on world commodity markets could result from setting up a world-wide information system on crop prospects and national grain stocks. Bilateral or multilateral import-export agreements might be considered as a way to reduce foreign demand uncertainty. So long as free trade does not exist and nations maintain programs to protect their agriculture, grain reserve policy is likely to coexist with export restrictions, import controls, farm price supports and production controls.

Consequences of multinational reserves are:

- (1) Greater stability in world commodity prices;
- (2) Adequate supply of food for U.S. consumers;
- (3) Lower cost to American taxpayers than previous storage programs;
- (4) More efficient food production;
- (5) Location of reserves where needed; and
- (6) Possible depressing effect on grain prices.

Reserves controlled by an international organization

Acquisition and distribution of emergency grain reserves by an international organization has been proposed as a method of preventing mass starvation after natural or man-made disasters. Such reserves would not be used in situations of chronic malnutrition due to overpopulation. International grain reserves could also be used for stabilization of commercial markets.

Either program could be financed by contributions in kind from food exporting nations and in cash from developed, but food importing, countries. Size of reserves, amount of contributions and recipients' eligibility requirements would be established by agreement.

Probable consequences of internationally controlled emergency grain reserves include:

- (1) Ability to respond quickly to alleviate human hardships caused by unpredictable calamities;
- (2) Little effect on prices so long as reserves are small and not released in commercial channels;
- (3) Possible pressures from poor, hungry nations to release reserves for chronic food deficit problems;
- (4) Possible attempts by food surplus nations to enlarge reserves to prevent low farm product prices; and
- (5) Complex administrative, political and diplomatic problems peculiar to an international organization.

FOOD AID—DOMESTIC AND FOREIGN

(R. G. F. Spitze, University of Illinois and W. Neill Schaller, Farm Foundation)

What Are The Issues?

In most of the world, food moves to consumers through the marketplace. If people and nations can pay for it, they will usually be fed. What if they cannot pay for it? Food aid, as distinct from technical aid for food production, has been one answer in nations rich enough to provide it domestically or internationally. At one time, almost all food aid was privately administered by the family, the church, and other charitable organizations. Public food aid on a large scale began only in this century due to the willingness to have government attend to the needs of people. Surplus disposal and improved foreign relations have also been major objectives.

Substantial food aid has been provided domestically in the U.S. since the 1930's and to foreign countries since the 1950's. It does not seem a likely policy alternative that the public would reverse the path of the past and eliminate all food aid. So there are two issues: (1) How much public food aid should the U.S. provide and to whom? (2) How should food aid be administered?

Why Are These Issues?

A combination of developments has raised public concern about food aid issues: Short food supplies, inflation, population pressures, and increased awareness of malnutrition abroad and at home. In spite of doubts about effectiveness of government to administer food aid and disappointments in the results of that food aid, evidence of continued support is seen in public resolutions and rising appropriations to feed the needy.

Current Food Aid Programs

Domestic

Food Stamp Program. Though first operated in 1939-41, it was reinstated in 1961 and has expanded fourfold in the last 5 years. It is administered by the states. The amount of aid, in the form of subsidized food coupons with cash value, depends on the person's income and size of family. A little over 17 million persons, or 8 percent of the U.S. population, currently are recipients, with an average aid of \$24 per month per person.

Child Nutrition Programs. These include the School Lunch and Special Milk Programs, initiated in the 1930's, as well as School Breakfast and Special Food programs (child, summer feeding, and so on) added in the late 1960's. Children receive partially or wholly subsidized food at school. The School Lunch program reaches over 25 million children, and the Breakfast program over 2.3 million.

Food Distribution. Initiated in 1933, this program authorized the distribution of food purchased by government to support the prices of certain farm commodities. Recipients are needy families on American Indian reservations, the schools, and other institutions.

Supplemental Food for Women, Infants, and Children (WIC). This program, started in 1974, provides food aid to pregnant and nursing women and young children whose need for an adequate diet is critical.

Foreign

In 1954, during a period of falling farm prices and mounting government-held "surpluses," the Agricultural Trade Development and Assistance Act, commonly known as Public Law 480, was passed. It now has two parts: (1) Food donations to countries experiencing disaster, and (2) Sale of food on easy credit terms.

The current outlay is just over \$1 billion, about 80% for concessional sales, and much less in quantity than previously. Over 80 countries are recipients, with Bangladesh and India the largest receivers. Only a small fraction of the hundreds of millions believed to be undernourished throughout the world are reached.

Federal Costs

In Fiscal Year 1976, the federal cost of our domestic and foreign food aid program was:

	<i>Cost (billions)</i>
Domestic:	
Food stamps.....	\$5. 70
Child nutrition:	
School lunch.....	1. 50
Special milk.....	. 14
School breakfast.....	. 10
Special food.....	. 15
Food distribution.....	. 53
WIC.....	. 16
Foreign: Public Law 480 and other.....	1. 05
Total food aid.....	9. 33

Consequences

To Producers. These programs could add at the most about 4.5 percent to the value of total consumer food purchases compared to what they otherwise would be without a program. But the effect would more likely be about 3 percent due to some substitution of aid for commercial purchases. The effect on producer prices and incomes would be upward, but most likely less than the maximum possible of 15 percent, due to the long run inducement for greater production. However, programs involving specific commodities, such as milk and meat, would affect those producers relatively more.

To Agri-business. Food handlers benefit from food aid by greater volume according to their function.

To Foreign Agricultural Trade. A slight downward pressure on commercial exports would result, due to somewhat higher prices. But total exports could be increased, with a maximum of 5%. Conversely, the added demand would tend to increase imports slightly.

To Consumers. Although the net benefits to food aid recipients are debated, low-income consumers, particularly domestic, would undoubtedly benefit from the greater quantity and quality of food at lower cost. Over 17 million food stamp recipients and 25 million school children are reached. Consumers with higher incomes would face a small increase in food prices, probably from 1 to 3 percent, given the greater production.

To Taxpayers. With a continuation of programs at the present level, but not at the rapid rate of expansion of a few years ago, the taxpayer's burden would depend on changes in the size of the population, personal income levels, and tax revenues. At present the \$9.3 billion total food aid is less than 3 percent of all federal annual outlays, with a quarter percent foreign aid.

Substantial Food Aid Expansion Or Contraction

Food Aid Expansion. Substantial food aid expansion could take several forms: reaching more people in targeted groups, increasing the level of cost-sharing for recipients, or inclusion of more groups. A domestic annual food aid budget of \$10-15 billion, or about 4 percent of the total federal budget, would more nearly reach all of the 25 million now designated as below the poverty level in income, and more of the needy children. A possible target for foreign food aid would be to regain the real relative level of aid of the 1960's and maintain it at a stable proportion of the federal budget. This could reach \$5 billion a year, about 1 percent of the federal budget.

Food Aid Contraction. Substantial food aid reduction would involve a reversal of recent trends with a lower real dollar federal cost, a lower proportion of the total budget, and smaller number of recipients, perhaps only coverage of emergency assistance. This could result in a domestic food aid budget of a constant real value of perhaps \$5 billion, about 1.5 percent of the total budget and decreasing as budgets grow, and with 5 percent of total population being reached.

Consequences. Expansion of domestic food aid to \$10-15 billion and foreign aid to \$5 billion would likely have consequences in the same direction as indicated earlier for the present program but with substantially greater magnitude. Substantial reduction of food aid below current levels, with domestic being \$5 billion annually and foreign donations of \$300 million annually, would have the opposite effects.

Substitution Of General Cash Payments For Food Aid—Domestic Only

Domestic food aid could be replaced by a new general welfare or income maintenance policy. With sufficient public income aid to bring incomes to a minimum level judged adequate for food and other needs, the recipients would have a greater choice in their spending, and the public would benefit from elimination of administrative duplication, conflict, and complexity.

But it can also be argued that the nutrition of people, particularly the young, can best be served when aid consists of specific foods or food purchases. Food aid has been more palatable politically than income payments. The effects on food demand, food prices, and product prices likely would be less than with food aid.

*Change In Food Aid Administration**Domestic Program Consequences*

Food aid is administered by the U.S. Department of Agriculture (USDA) in cooperation with state and local welfare and other governmental agencies. An alternative would be administration by another unit as the U.S. Department of Health, Education and Welfare (HEW).

A possible advantage would be that HEW, the administrative home for welfare programs, might have greater administrative expertise, offer efficiencies of joint overhead, and provide greater budget support. It would also remove a possible agriculture bias toward using food aid to solve "surplus" farm product problems.

However, retention of food aid in USDA provides a leverage for political support of commercial commodity programs and access to existing research about nutrition, food quality, and marketing.

Foreign Program Consequences

Foreign food aid decisions are made substantially by the U.S. Department of State, with administration and distribution handled by USDA. The issue of any shift is the desired balance of goals pursued by these departments, such as acceptable farm prices vs. foreign relations. Another alternative appears to be for U.S. foreign aid to be administered by an international agency, perhaps in conjunction with a world food reserve. Such a shift removes food aid from domestic and foreign policy interests but also from U.S. control.

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TABLE 1.—ALTERNATIVE LEVELS OF U.S. FOOD AID FUNDING COMPARED TO CURRENT FOOD AID¹

Consequences to—	Substantial food aid expansion	Substantial food aid contraction
	Domestic: \$10 to \$15 billion annually. Stable 4 percent of budget. 25 million recipients plus all needy children.	Domestic: Stable \$5 million annually. 10 million recipients. Primarily emergency aid.
Producers.....	Foreign: \$5 billion annually and stable 1 percent of budget. Some increase in product prices. Upward income effect. Upward supply response.	Foreign: Limited to donations of \$300 monthly. Incremental depressing effect on farm product prices and incomes.
Consumers.....	Substantial cost-sharing to low-income groups and countries. Some increase in domestic market food prices. Some released purchasing power for nonfood items.	Less cost-sharing to low-income groups and countries. Incrementally lower market food prices.
Foreign agricultural trade..	Some reduction in commercial agricultural exports, but an increase in total exports. Some increase in food imports.	Negligible effect.
Taxpayers.....	Higher tax burden. Competition with other public programs.	Incremental reduction in tax burden or release of funds for other purposes.
Agri-business.....	Slightly higher volume of farm products and inputs.	Negligible effect.

¹ Prepared by R. G. F. Spitze, University of Illinois, and W. Neill Schaller, Farm Foundation.

FEBRUARY 17, 1977.

Re 1977 farm bill.
 Senator DICK CLARK,
*Russell Building,
 Washington, D.C.*

DEAR SENATOR CLARK, I appreciated the opportunity to testify at your hearing of the Senate Committee on Agriculture pertaining to the 1977 Farm Bill.

You were provided with breakdown supporting my budgeted 1977 Cost of Production which reflected minimum cost levels of \$2.70 per bushel for corn on the farm.

You suggested I might write you as it concerns my views regarding acreage allotments. I believe that acreage allotments should be updated to reflect farm-land capabilities for corn production. This could be accomplished through state and county ASCS participation. In the areas of Pocahontas and Palo Alto counties where I farm, the overall corn allotment should reflect no less than 50% of tillable acres. Actual disbursement of corn allotment acres should be assigned to the local ASCS level to be reflective of individual farm characteristics.

I believe the production of food to be too critical to the overall personal well being of the citizenry of this country to be left to true and lasting "supply and demand" criteria. Food production should be regulated by governmental direction and those costs of production accordingly fully supported.

Thank you for your efforts on behalf of the people in Iowa.

Yours truly,

LYNN HARRIS,
Curlew, Iowa.

FARMERS CREATE NEW CONCEPT IN FARM LEGISLATION!

A proposal for a new concept in farm legislation, touted as a plan to aid farmers, government and consumers, is being promoted by the Interested Farmers for Political Action Committee, a "grass roots" movement originated in the Dexter-Stuart areas of Iowa.

The farm bill concept is really quite simple, according to Jerald M. Boyle, the group's spokesman. Let's presume, said Boyle, that the concept we're proposing is enacted into legislation. Target price levels would be set on or near the USDA average cost of production for each commodity.

In years of normal production, the government would work with the farmer, using their many resources—including encouragement of export capabilities—to market our product and bring about full implementation of our production to keep prices above the target level so no payments need be made.

Then, says Boyle, let's assume that a better than normal year comes along and production is large enough so that it can't be absorbed by the market at a price on or near target levels. The government would immediately enact the reserve provision of the law, allowing for on-farm storage of reserves—effectively isolated from the market—so that it could react in an upward range to target price levels.

Upon enactment of the reserve provision, the Secretary of Agriculture would be mandated to initiate a set-aside program for the following year, eliminating the creation of even greater surpluses. The set-aside would continue until a low production year causes the market to react in an upward manner, high enough to release the reserves.

The Secretary would be mandated to withdraw the set-aside for the year following the release of the reserve, thereby completing the cycle and allowing for the return to full production, assuring an all out food production effort in case of two poor crop years back to back.

A highly effective disaster protection plan and a tax credit program for conservation measures are also part of the legislation concept being promoted by the Interested Farmers for Political Action Committee (IF/PAC), according to Boyle who farms south of Dexter, Iowa. Members of the group are hoping to gain even broader support for their program when they attend Farm Convention '77 in Washington, D.C., March 15th through 19th.

INTERESTED FARMERS FOR POLITICAL ACTION COMMITTEE—POLICY GUIDELINES

I. To advocate and achieve implementation of legislation that will assure a consistent supply of food without penalizing the producer.

II. Elimination of farm policy proven detrimental to the farm and national economy.

III. Realization that an adequate grain reserve is in the best interests of the nation as a whole, but only if enacted in such a manner that the producer is not penalized by the existence of such a reserve.

IV. To create an awareness in government and among the consuming public of the severe financial problems involved in modern farm production.

V. To encourage and lobby for legislation embracing an entirely new approach to conservation measures, including realization that the major portion of funding for an all out conservation effort must come from general tax revenues.

VI. The reorganization of farm-oriented agencies within the USDA for greater efficiency and less cost, including the elimination of funding and agencies serving no useful function, or at best, having a limited usefulness.

WHY THIS FARM BILL?

We must be aware and face the reality of the fact that our government, pressured by consumer advocate organizations, will settle for nothing less than full production.

This is a fact . . . and we must accept it!

If this is to be the rule under which we as producers must operate, then we must immediately—and as a group—organize and lobby for protection against the possible consequences of full production. We must make the government aware that it is no longer in the interests of either producer or consumer to continue the policy of slowing down implementation and dispersal of our production so that—to quote a favorite expression—they can “stabilize prices”, which means interfering with a free market in order that the price of farm production stays below the realistic price that world supply and demand would dictate.

We must work to enact legislation that gives the government a choice between actively stimulating demand for our products, and using every method at their disposal to fulfill the demand created by that stimulus, thereby assuring that prices to our producers do not fall below cost of production under the full production principle espoused by our government . . . or, paying producers substantial target payments so that a healthy, viable farm economy can continue producing to meet the needs of our nation and world.

We, as farmers, will strive to fulfill the production goals set forth by our government, but only if we are not severely penalized by those self same goals! Therefore, the farm program outlined on the following pages has been devised to assure that the government fulfills their obligation to the farm economy, instead of leaving the farmer to bear the brunt of policy mistakes as they have done in the past.

In other words, if the government means what they say, they will have no objection to enacting the legislation outlined in this farm bill as there should be no need for them to ever become involved in target payments.

Uncle Sam . . . show us we can trust you!

POINTS TO IMPLEMENT IN A FARM BILL

I. Protection against prices below cost of production in years of surplus production.

A. Target prices to be established for all commodities having an ASCS yield index.

B. Target price to be set at estimated cost of production with escalator clause to compensate for inflationary pressures.

C. Target price, times ASCS yield index per individual unit; times acres planted equals *target payment*.

1. Soybeans excluded.

II. Protection against disastrous yield loss due to adverse climatic and/or agronomic conditions.

A. One-half ASCS yield index, times target price, times acres planted equals *disaster payment*.

1. Soybeans only . . . one-half ASCS yield index, times target price, times acres planted, times .666 equals *disaster payment*.

B. Additional protection can be purchased in 10% increments in the form of insurance based upon an escalator type of premium.

C. This program to be administered and executed through existing ASCS structure.

1. FCIC, no longer being necessary, should be eliminated!

III. Provision to be made for acquisition of a grain reserve in times of surplus production. Said reserve to be acquired by direct purchase from the producer after public notification to the grain trade of impending purchase. Said purchase shall not be below target price. Said reserve shall be retained on the farm of purchase with producer receiving commercial storage rates for duration of reserve storage. Said reserve cannot be resold for less than 150% of purchase price, with producer having first option of purchase.

IV. Provision to be made for financing grain storage structures on individual farming units.

A. 5% interest on loans for storage structures.

B. Seven year loan agreement; 20% down payment.

C. Loan agreement to cover all costs involved in erection of storage facility.

V. Provision must be made for an all out effort towards implementing conservation practices; cost of these practices shall be financed 90% by the government, 10% by the producer.

A. Producer shall receive a tax credit amounting to 90% of the cost of conservation practices on his farming unit.

B. Tax credit not to exceed \$5,000 in any one year.

C. To qualify for tax credit, conservation practices must be to SCS specifications and application for credit must be accompanied by SCS certification.

D. Present cost-sharing program to be eliminated.

BACKGROUND SHEET—COMPARISONS BETWEEN COMMODITY LOAN CONCEPT AND TARGET PRICE CONCEPT TO GUARANTEE COST OF PRODUCTION

Far from being a new concept, commodity loan programs are the most familiar—and oldest—type of price control. The following facts emphasize that they are not workable under the conditions imposed by today's production problem.

Point No. 1

The commodity loan program contains no incentive for the government to use its multi-faceted powers to encourage foreign consumption of our commodity surpluses.

Point No. 2

The commodity loan program has the potential of causing an ever-increasing quantity of surplus stocks, thereby causing continuous downward pressure on the price of commodities.

Point No. 3

Once commodities become surplus stock under the control of government, they become unwieldy and cumbersome due to the bureaucratic nature of government.

Point No. 4

As experience has taught us, commodity loan programs—with the provision of a variable loan rate—cannot react in a timely nature to protect producers against downward pressures on the market caused by over production. Discouraging production by lowering the loan rate only compounds the nature of the problem facing the producer in a surplus situation.

Point No. 5

A large stock of surplus commodity products effectively cancels any chance for the market to react in a normal manner to supply and demand.

Point No. 6

The cost involved in storing commodities, plus personnel to expedite said storage, plus the loss to the economy of commodity stock tied-up in a surplus situation—instead of being converted to cash flow—is staggering, as has been proven by the record of past attempts at this type of commodity program.

Point No. 7

It is unrealistic to ask the producer to pay interest so that the government can have a surplus at its disposal!

In contrast, a commodity program using the target price concept has these advantages:

Point No. 1

Elimination of bureaucratic red tape, personnel and budgeting.

Point No. 2

The target price concept does not build excess surplus stocks.

Point No. 3

The government has at its disposal the power to encourage export trade so that surpluses do not drive the price down below target levels, thereby bringing target payments into effect. This gives the government a very great incentive to encourage export trade, thereby immensely helping our balance of payment problems. This also creates cash flow for our commodities and eliminates the need for a cumbersome, costly storage program by the government.

Point No. 4

Under a target program, producers would feel free to go all out in planning for production during times of adverse conditions. If, in the event the export market could not accommodate an abnormally large production, then to complement the target price program the government could—and should—step in and buy grain on the open market under the reserve provision of the farm bill, thereby making it highly unlikely that any target payments would ever be made.

REASONS EXEMPLIFYING THE NEED FOR A NEW CONCEPT IN DISASTER PROTECTION!

Due to the highly involved financial input in today's production, this form of disaster protection is vital to the success of any farm bill and to a healthy farm economy. It also provides a golden opportunity to eliminate a highly inefficient agency with a function of dubious value, and incorporate its intent into an existing, highly efficient apparatus.

For those producers in need of additional protection above the disaster provision of the farm bill, an opportunity to purchase the desired amount of crop insurance—up to 90% of a normal crop—is included in this bill. This would especially give needed protection to our young farmers who are heavily in debt and need a guarantee of near normal production so that they can acquire the capital they need, and have the wherewithal to meet their obligations in a timely manner.

THE NEED FOR A GRAIN RESERVE THAT DOES NOT PENALIZE THE PRODUCER!

Farmers are aware of the potential need for a grain reserve. This should be a small and tightly controlled stockpile for emergency use only. When it is not to the farmers' benefit, it is highly unreasonable to ask him to pay interest to build a reserve which always holds the threat of limiting his markets. If we need a reserve, then let's have one . . . but not in such a manner that it penalizes the very man who provided it!

Acquisition of reserve should be accomplished in the following manner. USDA computes bushels to be isolated so that the market may react with upward movement to target area. Purchase to be made through ASCS structure, giving ten day notice of purchase. (Limit per producer to be imposed.) Secretary of Agriculture mandated to implement set aside program for immediate year, following enactment of reserve provision. Upon disposal of reserve set aside program to be dismantled with Secretary calling for return to full production.

ADEQUATE FARM STORAGE, KEY TO INTELLIGENT MARKETING OF PRODUCTS!

Care must be taken to finance a large enough portion on a long-term basis, so that the producer is not put in a cash flow bind for the duration of the loan agreement on the structure.

RECOGNITION OF EQUITABLE FUNDING OF CONSERVATION PRACTICES IS NEEDED!

When the farmer comprises 5% of the population, it seems only fair and just that the consuming public should pay their proportionate percentage of the conservation practices needed to achieve the quality of air and water they are demanding. At the accelerated rate of soil erosion—which modern row crop farming is a partner to—brought on by the consumers' demands for increased production and lower prices, in the next one hundred years we will have lost virtually all of our topsoil. How will the consumer react, when even at a tripled or quadrupled price she cannot obtain the amount of product desired?

It is time we look to the future and rapidly take steps to prevent this ultimate disaster. However, the farmer has neither the fiscal means nor the moral commitment to finance the total cost of conservation practices. The tax credit concept of funding conservation practices has the advantage of allowing farmers to plan ahead with their bankers and contractors, knowing that funding will be available.

These necessary conservation measures must be financed by all of us on an equal basis. For anyone to say the farmer, comprising 5% of the population, and willing to absorb 10% of the cost of conservation practices, is not doing his fair share, is ridiculous! The cost of conservation may seem high to a country used to taking its food production for granted . . . but the cost of not conserving would eventually be many-fold higher!

Williamsburg, Iowa, February 10, 1977.

Subject: Recommendations—1977 farm bill.

Hon. RICHARD CLARK,
Russell Office Building,
U.S. Senate, Washington, D.C.

DEAR SENATOR CLARK: The Iowa County ASC Committee wish to express their appreciation for the opportunity to submit suggestions on the 1977 farm bill. Their recommendations follow:

CONSERVATION

Continuation of the present program is recommended with increased funding needed. National program funding should be in the 400-500 million range.

Reference section 208 of the National Environmental Policy Act (PL 91-190), we recommend primary administrative responsibility of program be under ASCS due to:

1. Non-point source pollution begins with soil erosion and surface water pollution. ASCS personnel and county and township committees have a working knowledge of conservation needs, the land and people.
2. ASCS offices have the basic data and information needed. It does not have to be determined—it is available *now*.
3. Aerial photography denoting the farms, farm owner and farm boundaries are available. Also, information on previous conservation measures implemented.
4. The program could in effect, be administered as an expanded version of the ACP program.

PRODUCTION ADJUSTMENT

A continuation of the present target price concept is recommended, however, it should be set at a rate more realistic to production costs. The call for all-out feed grain production with the adjusted base or allotment limitation we feel was unfair. The feed grain base needs to be up-dated to current needs.

It is recommended the disaster program be changed to a crop-insurance type of program. It should be available to all farms with the premium determined on a degree of risk basis.

It is recommended that ASCS be given an increased role in the administration of the program (crop insurance) due to the availability and knowledge of basic farm information, photography, individual farms and farm operations.

PRICE SUPPORT PROGRAM

We favor an increase in the loan rate to 80-90% of cost of production. The resale program should be re-instated.

The present system of loan funding, that is debited, but not credited on the repayment of principal and interest, is a discredit to all concerned. We suggest a revolving fund basis which once established would be self-supporting.

GRAIN RESERVE

It is our opinion a resale program for farmers would provide a grain reserve sufficient for national needs. The quantity under resale could be controlled to a degree by the length of the resale period. In addition, the grain would remain under producer ownership and control and could be maintained at very reasonable cost to the government.

IOWA COUNTY ASC COMMITTEE
 PAUL HANNON, *Chairman*
 KENNETH DAWSON, *Vice-Chairman*
 JIM RYAN, *Member*
 CARL L. LANTZ, *CED*

To whom it may concern:

I'm Earl Riediger, I've lived on a farm near Hinton, Iowa all my life, and I'm not running for anything.

I would like to express my opinions on a new farm program. They are as follows:

1. I believe the department of agriculture must know the usage or can very easily find out, what amount of food, in each kind and quantity. (Feed grains, Cereal, Meat) and all other agriculture products in the United States, and for foreign shipment are needed and feel it would be easy to design an agriculture program based on 100% of parity.

2. I believe the Taxpayers should not be burdened with the tax load of Grain reserves. I would require that the farmers themselves retain the grain or any other products on their own farm or warehouse, at their own expense.

3. I believe that acreage controls are not fair methods of regulation as far as planted crops, and knowing fairly well how many bushels of each product would be needed, I feel we should notify each farmer prior to planting season of the amount needed or thought to be needed for the coming year of each individual product.

4. With this knowledge the farmer could judge their operations and act accordingly, knowing that only this amount could be sold. (A given amount of each farm's production, according to the acres he owns or operates.)

5. If only 80% of full production is needed, the farmer would know that this amount is all that he could sell, the rest he would have to store, or preserve, if he desired at his own expense, but in no way could it be moved into marketing channels that year, once his percentage of the product had been sold. (What was sold would have to be at not 80%, not 90%, but 100% of parity with an escalator clause for cost of production.)

6. The farmers would in all, over produce a little. Let the farmer that did not raise a crop for any reason what-so-ever, sell his bushel allotments, or crop allotments to his neighbor or any other farmer that wanted to buy them, so long as the combined production did not exceed the allotted percentage for both farms. This same idea can be utilized with meat production.

7. I believe that all supports, disaster payments, etc. must absolutely be at 100% of parity with an escalator clause for cost of production. This would eliminate considerably the need for disaster payments unless a total disaster nationwide would be a reality.

This program should be as such that any farmer with 160 or less acres can raise a maximum of 6,000 bushels of grain or whatever with no penalty, allotment or any other commitment. Any crop over such an amount would have the same bushel allotment as any larger farm. This would relieve the small farmer

from a little pressure of corporations and larger farms and go a long way to keep him on the land.

I don't believe the larger farm should have this exemption.

I feel that a law is needed similar to minimum wage law to force this into operation and it can be worked on all commodities produced regardless, (meat, milk, cereal grains, feed grains) anything agriculture.

This would also eliminate tax loss farming and put income tax money from the nation's farms back into the economy.

As long as the price paid to farmers has very little bearing on price charge to consumers, this would help eliminate racketeers from the food industry.

Our government has the lowest supports on farm produce of anywhere else in the world, where farms supports are used. Anything under 100% of supports is sheer damn foolishness on the farmers part.

I believe a loan of three years or so is needed for our disaster farmers to get started, and by that time, if my program were enacted they should be started on their own. If not then this loan should be forgiven and they would need to change occupations. We certainly don't need more credit, what we need is a way to pay back the debts already accumulated.

8. I realize that for the good of this nation and the rest of the world we must do something to eliminate the mounting debts in agriculture and Government. I feel there is no faster way to do this than to get the fair share of our nation's wealth back to the producers of the only product we can't live without "Food" and let agriculture carry its own weight at the farms level, and not as it is today at the cost of the man producing the product. *THE FARMER*.

9. Our government continues to guarantee the cost of food growing projects all over the world, (South America is big in this) not as a loan, but as a give away program which in the most part only serves to lower our prices in the world markets, I feel we should have price protection on the food produced for domestic consumption.

10. Land charge seems to be a problem in setting production cost, why not base cost of production on A.S.C. program average of production history.

I know this does not cover everything involved, but do feel it's the direction in which we must go. I feel a law is needed to guarantee the price and forbid sales at any price under 100% of parity, similar to minimum wage law. I left out a lot of other examples for the sake of getting this brief enough.

I do feel I can and would discuss my point with anyone who is interested in my ideas, as there are a number of us that have felt this would work for a long time.

Hoping you will give this matter your prompt attention and thanking you, I am,

EARL RIEDIGER,
Hinton, Iowa.

JANUARY 4, 1977.

DEAR SIR: I am a South Dakota farmer writing in regard to the forming of a new farm program.

I heartily support a higher loan rate and target price, but the most important thing that needs to be done is an update of the acreage allotments. These allotments that were set up over twenty years ago are unfair and severely handicap and may eventually put me and many farmers like me out of business.

I own 1120 acres. Over 1000 acres are farm land. I have a 138 acre wheat base, and a 76 acre feed grain base. A farm adjacent to me of equal size may have a 500 acre wheat base simply because he was raising wheat when the program was set up, and my father was raising cattle.

I'm sure you can see the problem. Under the present farm law I can plant as much wheat and feed grains as I wish, but the disaster payments are based on your allotments.

This year I harvested 385 acres of wheat. (I plowed out 80 acres that dried out.) My wheat averaged 12 bu. per acre. Because I only have a 138 acre wheat base I received no disaster payment. I had 300 acres of sorghum. It averaged 4 bu. an acre. I have a 76 acre feed grain base. I received \$600.00 in disaster payments.

Here is what I am getting at. There may be a farm beside me of equal size and raised the same number of acres of each crop as I did. If he got the same yields I did, but had a 350 acre wheat base, and a 300 acre feed grain base, he would receive \$8368.00 in disaster payments.

This is grossly unfair. Why should one receive payments and another not, when both operate the same kind of farm? During the bad years those with good allotments survive, and the ones without, suffer.

It will be extremely difficult if you go back to a program where you can only plant as many acres as your base. My wheat and feed grain base combined is only 21% of my farmground. What would I do with the rest? If the new farm program continues with these allotments and a farmer has to comply with them, or a system where a farmer can only sell a specific amount of grain based on his allotment is used, it will mean financial ruin for my grain operation.

What I propose is an allotment arrived at yearly, based on an average of the farmer's last three years acres planted to that crop. For instance, if a farmer planted 500 acres of wheat one year, 600 the next, and 550 the third, his wheat base would be 550 acres. If the next year he planted 450 acres his wheat base would be lowered to 517 acres. This would work on all allotment of all crops raised in the area. I realize that this would probably raise the number of acres of allotment on some crops. If this happened there is a good and fair solution. Suppose the national allotment is set at 750 acres (fictional numbers) and the farm allotment (an average of the total acres planted to that crop in the country in the last three years) totaled 1000 acres on that crop. The national allotment would be 75% of the farm allotment. If any payments were to be made to the producers for either compliance, or disaster payments, they would get payments based on 75% of their allotments. This would vary from year to year slightly from the variations in the national and farm allotments.

This would be an excellent way to control production, while being fair and equal to all farmers. If there were a surplus you would set the national base at 50% of the farm base for that crop, and to increase production you could raise it to 100%.

For instance, if a farmer had a 30 bu. per acre established yield and got paid one dollar per bu. for compliance, and the national allotment was 100% of the farm allotment, he would get \$30.00 per acre times his allotment acres. If the national allotment on that crop was lowered to 50% of the farm allotment, he would be \$15.00 per acre times his allotment, and would be inclined to switch to a more profitable crop.

This would also eliminate another bad part of the present farm act. As it is now, if a farmer doesn't plant his allotment acres of a certain crop, he permanently loses his base allotment of that crop. Even if there is a surplus and the price is bad he will continue to raise the crop to preserve his base. Under this system I have explained he would switch to something else. If the price of the crop he was raising previously improved, he could again raise the crop and get an allotment based on acres of the crop planted when he started raising it again. I am sure this would help discourage production when there was a surplus, and encourage it during a shortage, because of the added flexibility of the program. There would be no fear of losing a base because of not raising a crop, because you could always build a new base.

At any rate I urgently request you consider some form of allotment revision. The present system is unfair because as a practical matter there is no way to increase your allotment. Some have been getting the benefit for many years from large allotments, and other have been getting practically nothing, with the same type of operation. Even if you did away with allotments and disaster payments, and offered a fair loan rate, the latter would be better than the present program, because at least then the competition would be equal for all producers.

I could write pages about the discriminatory aspects of these allotments. I know you are busy so will end here. I would appreciate a reply.

CLIFFORD D. HALVERSON,
Kennebec, S. Dak.

NATIONAL PORK PRODUCERS COUNCIL,
Des Moines, Iowa, January 25, 1977.

HON. DICK CLARK,
*Russell Office Building,
U.S. Senate, Washington, D.C.*

DEAR SENATOR CLARK: We certainly did appreciate the invitation to attend your hearings here in the state of Iowa on the last days of this month pertaining to the Agriculture and Consumers Protection Act that is under study with the new Congress.

I will be in Washington during those days working with the foreign trade negotiations committee on livestock and agriculture products and therefore will not be able to attend the hearing.

Our Pork Producers Council at the national level has basically refrained from entering into those areas not specifically pertaining to the pork production field. We have felt that the major farm organizations and our member states should function best in those areas of general farm legislation.

However, we do hope and seek that this law will provide for greater emphasis on research to increase efficiency of production and to decrease the effects of disease in the production of quality pork in this country. It appears that there needs to be a better priority placed on research by commodity and the potential good to come from that research on each commodity so that there is a better balance not only in investment of research funds, but in the effectiveness of research that can be of benefit to all agriculture in this nation.

Results in these last two years certainly show that pork can be a very effective export item to the orient. We have sufficient capability in this country to produce sufficient quality pork for the people of this nation at a practical price of production, plus a living wage for the producers and also to produce additional pork that could be exported to assist with the balance of payments that are continuing to be a burden to this country in world economics. I spent a short period of time in Japan recently and there is a great potential for American pork in that market. We can and are competing with the Canadian product and also that from Europe.

I found that we have some excellent agricultural attache office people working in that area and therefore feel the potential is very great, however, there are some individual item areas in this country that we must work to correct in order to accomplish this production level. Major among these is for our USDA to become an active, coordinating leading unit of organization of disease control and regulatory programs across this country that are not only compatible to the regulatory people within each state but also a workable and within economics reasons of the pork producers of this country. Again, it appears that priorities need to be emphasized in this area as well as in research. We in pork production have not fared well as others in part years and we expect to be active in seeing that these areas are corrected in the future.

We do want to appear before the appropriations committees in Washington during the latter part of March when those hearings are usually held and would appreciate any introduction or assistance you or your staff might give us in our appearance before those subcommittees.

Sincerely yours,

J. MARVIN GARNER,
Executive Vice President.

PANA, ILL., February 21, 1977.

HON. RICHARD C. CLARK,
*Russell Office Building,
Washington, D.C.*

DEAR SENATOR CLARK: Enclosed is one of my columns which I would like to have considered at the drought relief hearings.

There is no doubt that all the "Various elements of the farm and food industry" (as the local paper says) will be represented by articulate well paid professional lobbyists. The thrust will be to preserve the profits of the chemical industry and the farmers. The long term health of the soil and the protection and restoration of the water cycle may hardly be mentioned.

Please read my testimony and don't let the hearings become another example of industry getting its way at the cost of our irreplaceable natural resources. Are there other representatives of the soil included in the hearing? I hope so. You share my concern that the rush for this season's dollar not be made at the cost of future season's soil. Please act on it.

Thank you very much.

Sincerely yours,

DEONNE BETH ORVIS,
Environment Educator and Columnist.

P.S.—Full support for President Carter on human rights in Russia! Holding the line on the fund cuts to dam projects! Blocking amendments to the Marine Mammal Protection Act!

Gentlemen of the Senate and House Agriculture Committees, my name is Deonne Orvis. I reside on a 147 acre farm south of Springfield, Illinois near the town of Pana. I am here to testify on drought legislation as a public citizen and farm manager, but primarily as a spokesperson for literally billions of living organisms who have no voice and certainly no vote in the decisions which effect their health and future existence.

My constituency is the teeming life in our topsoil: the tiny mammals, the earth worms, the arthropods and gastropods, the protozoa and nematodes of the animal kingdom; the bacteria, fungi, actinomycetes and algae of the plant kingdom. Our future does not depend on the amount of water we manage to reallocate, or the money aid we give to ease the economic impact of the drought, nor does it depend on how smoothly the Fertilizer Institute comes through its spring sales, nor the price the farmers get at the end of the doubtful season. Our future depends on the healthy survival of the topsoil and its inhabitants!

One factor must be primary in the drafting of any drought relief legislation. That is to select, decide and swiftly implement measures to *preserve topsoil*. The loss of water for a few seasons is a cyclic, predictable temporary problem (of which we had ample warning and could have had ample preparation). But the return of "dust bowl" conditions—the blowing displacement of inches of topsoil—is something we cannot well afford at this stage in our civilization.

According to a National Wildlife Federation survey, the topsoil in our own state of Illinois was 9 to 22 inches deep at the time of settlement in the mid 1800's. Now, the average depth is 4 to 8 inches—a reduction of a little over half in one century. With luck and improved cultivation techniques, we have 100 years to go. But if we lose 2 to 4 inches to the wind during this drought, we drastically reduce the exhaustion time on this, our most basic resource.

(Therefore, I urge you to consider any or all of the following types of action to prevent the "dust bowl" from happening.

1. All farmers in drought or potential drought areas should put a high percentage of land in heat resistant grasses. Where row crops are grown, grass belts running across the prevailing wind should be required—in alternating strips with the row crops.

2. In locations where ground is bare and crops are unlikely to succeed, every effort should be made to immediately locate, transport and incorporate into the top inches of such soils, all available organic materials to serve as a mulch and minimize blowing.

3. The use of herbicides during drought should be seriously questioned. It is often our native grasses and so-called "weeds" that are best adapted to surviving heat—covering and protecting the soil.

4. Snow fence and other inexpensive barriers should be used to break wind patterns on unprotected fields.

5. If conditions continue to be dry, fall plowing should be outlawed.

6. Open soil associated with highways and construction of all types should also be secured from blowing.

7. Plans for decentralizing the nation's food production and delivery system should be started and speeded up where in progress.

8. Plans for long term cycle farming which takes into account drought, wet, heat and cold periods should be implemented.

On behalf of my unique soil dwelling constituency and all of us who eat as a result of their hard labor, I encourage you to keep your noses in the dirt, not in the air—to focus the attention of the legislation of saving soil, rather than on providing water.

STORM LAKE, IOWA, *January 27, 1977.*

HON. RICHARD CLARK,
Russell Office Building,
U.S. Senate, Washington, D.C.

DEAR SENATOR CLARK: The Buena Vista County ASC Committee thanks you for your letter of January 12, 1977, informing them of the hearing to be held on proposals for farm legislation for 1978 and succeeding years. We enjoyed your hearings last summer on Federal Conservation Cost-sharing programs and thought they were very informative. We will not ask to present oral testimony,

but would like to submit the following suggestions for consideration in any new farm legislation that is passed:

A. Continue for the present time, at least, unrestricted plantings of feed grains, mainly because drought conditions exist in many areas of the world.

B. Update or eliminate feed grain allotments. The allotments we are now using were taken from feed grain history in 1959 and 1960 and are obsolete. If they are eliminated, we would suggest a bushel guarantee for each farm for purposes of making deficiency payments or disaster payments. This would be similar to the wheat certificates wheat farmers had a number of years ago on which they were guaranteed a certain price on a portion of their crop and if they decided to raise more than this, it was sold for whatever price they could obtain for it.

C. Continue the corn and soybean loan programs as now administered but with a higher loan rate on both crops. We would suggest a loan rate on corn of \$1.65 to \$1.75 a bushel and a loan rate on soybeans of \$4.25 to \$4.50 a bushel. We would continue the practice of having loans mature eleven months after disbursement to enable a producer to have a year in which to market his grain. This also evens out the marketing of grain over a period of months instead of forcing a lot of grain on the market in a few months. We would not encourage paying storage on grain held on farms. If loan rates and target prices are high enough, it should not be necessary to pay storage.

D. Use realistic target prices for all feed grains and give this program an opportunity to work. We would suggest a target price of \$2.20 to \$2.30 a bushel on corn. The latest figures we have show this to be the cost of producing corn with today's high land prices and high land rental rates. We feel this program could work much like the wool incentive program, which is very satisfactory. Provisions should be made for updating target prices as land and production costs continue to rise.

E. We would also make a recommendation to combine the Federal Crop Insurance and Disaster programs into one, good workable program. We would suggest that it be made available to be offered and sold across the counter in ASCS county offices where the producer farm records are kept. This would enable us to serve the farmers more efficiently.

F. We would encourage legislation that would promote grain sales and exports to the fullest extent to foreign countries. We are opposed to export embargoes except in individual critical situations.

G. We would also encourage legislation that would strengthen the community and county committeemen systems. We ask that more authority be granted to county committees to make decisions and settle problems on individual farms in their respective communities within guidelines established by program regulations. County committees are more knowledgeable and understand local conditions better than having to write a detailed manuscript asking for relief and forwarding it to Washington. If county committees were permitted to handle problems on a local level, it could be done quicker and with considerable less cost and red tape.

HOMER E. PETERS,
Chairman.
FRANK MOVALL,
Vice Chairman.
ELMER H. ANDERSON,
Member.

STATEMENT OF GENE HARRE, DOW CITY, IOWA

To assist you in your research to prepare a new farm program beginning in 1978, I would like to bring to your attention some of the problems that I and my fellow farmers are faced with today.

With the help of my children, I farm 500 acres of row crop in the West-Central part of Crawford County. Under the programs and conditions that we have been operating in the last three years, it is like being in the middle of a fast moving river and slowly losing out in the battle to move upstream. With the rising cost of our machinery, fertilizer, fuel, chemicals and taxes, there is no way I can keep my head above water. As every father dreams, it would be

nice to have a son follow his footsteps, especially in such a honorable profession as farming. It is very hard to convince a growing young man that this is the life that he should pursue when it is so difficult to meet expenses even when we raise a good crop and things go well. It is even difficult to convince oneself that it is worth all the hard work when things go bad such as the drought that we had in the past year.

Gentlemen to make life on the farm more attractive to the thousands of families leaving every year and to our children, we must act now to make a program that will make all this possible.

This program that you, as our leaders submit to Congress, need not be so complicated as in the past. I'm sure that we can keep it simple enough to be understood and yet have controls to stop those that would make farming a racket instead of a way of life.

I have studied the bill, introduced by Senator Talmadge of Georgia and will agree that corn can be produced for \$2.28 on production costs based on the year 1976 if one was fortunate enough to produce at least 110 bushel to the acre, but insist that the program must be changed each year to meet the cost of production and then have a solid backing of a disaster program. Setting a loan rate at 75% of the cost of production will be of little benefit to any producer that would have more than one year where his crops did not meet the projected yield of 110 bushel necessary to produce a bushel of corn for \$2.28.

There is some concern that by setting a loan rate of 75% of production cost, we will once again create a surplus of grain which could be a detriment to us. I believe, if our farm program would require on farm storage with storage payments direct to the farmer and a plan to rotate the grain according to condition first and then by year of storage. It is not necessary to place the storage of our grain in the hands of the government as it was in the past. I realize we will need some controls on storage but we all know that surplus grain, if controlled, is like money in the bank. With money in the bank, or a grain reserve, then we will be prepared for years of drought, excess rain, pestilence or whatever situation may arise.

Gentlemen, you all know that with a grain reserve, we will have supply to serve our nation and the people of the world but will have little benefit to the farmer for his living in case of disaster. The farmer will have borrowed against his grain so we need a disaster program to see him through these bad times but the one we have at this time is a far cry from being a good program. As an example, the 500 acres that I farm, I elected to plant all to corn. My corn this year averaged 33 bushels to the acre which is very low but still better than many. The way our present disaster program is administered, I was ineligible for any payment. Now you will recall I was asked to plant from fence row to fence row, which I did, and was punished for doing what I did. When our allotment was started, I had a 100% base which was the way I was farming at that time. Slowly through the years, my allotment was reduced to 50% even though I did not plan to change my farming methods. As you might assume, the farmers that had never farmed over 30% of his land for feed grain had his allotment raised to 50%. Needless to say this farmer had no intention of planting 50% of his land to feed grain so when time of disaster comes, he was paid for producing in many cases 55 bushel to the acre as a disaster yield while my yield of 33 bushel was ineligible for any government assistance. I feel that I have been used by our government to produce food to keep the price of food to the consumer down but failed to help me when the time of disaster such as the drought we suffered in 1976. It seems we have millions of dollars to spend on surveys and prediction which are a detriment to our farming operation and yet can't protect us when we are in time of trouble.

Gentlemen, you are doing the right thing with meetings that bring the problem back to the farmer. Always remember that our great nation revolves around our farming industry. When our farmers are in need, the nation is in need. Anything we can do to our new farm program to make farming a desire for our children instead of a place to escape from with all its expenses and troubled times, we will have accomplished the goal much needed in our farming industry.



