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# EFFECTS OF THE DROUGHT ON GEORGIA FARMERS AND THE AGRICULTURAL ECONOMY

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## HEARING BEFORE THE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE NINETY-SIXTH CONGRESS

SECOND SESSION

SEPTEMBER 16, 1980

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

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# EFFECTS OF THE DROUGHT ON GEORGIA FARMERS AND THE AGRICULTURAL ECONOMY

TUESDAY, SEPTEMBER 16, 1980

U.S. SENATE,  
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,  
*Washington, D.C.*

The committee met, pursuant to notice, at 9 a.m., in room 324, Russell Senate Office Building, Hon. Herman E. Talmadge (chairman) presiding.

Present: Senator Talmadge.

## STATEMENT OF HON. HERMAN E. TALMADGE, A U.S. SENATOR FROM GEORGIA

The CHAIRMAN. This hearing will please come to order.

I arranged for this hearing today with one purpose in mind—to let the Nation know that Georgia farmers face the worst economic times since the Great Depression. While skyrocketing costs of production are a factor, the current drought is the primary reason for this current depressed and critical situation.

In the past few months, I have traveled all over the State—from the mountains to the coast and from the Chattahoochee to the Savannah. I have been in nearly every one of Georgia's 159 counties, and I can personally vouch that farmers this year face one of the worst—if not the worst—natural disasters to plague our State in my lifetime.

Moreover, many farmers have suffered major crop losses due to droughts, in many instances, 4 years out of 4 and, in virtually every instance, 3 years out of 4. In short, most Georgian farmers have managed to hang on until this year. The current drought could bring an end to many of them.

Our crops are burning up and the much-needed production to pay off debts and plant new crops this spring is not there. Already it is estimated by some in the State that peanut production will be cut by at least 60 percent, and soybean losses will be at least equal to 50 percent of normal yields. Corn production has also been almost completely destroyed.

While some may say that things cannot be that bad since prices of crops, such as soybeans and corn, have risen lately to decent levels—this means nothing to a farmer if he has nothing to sell.

Earlier, I grew very concerned about the effects of the drought, and I wrote Secretary Bergland to make an assessment of the damage to American agriculture being caused by the unprecedented heat wave and drought.

On July 31, 1980, he responded with a report. In short, the report concluded that the hot, dry conditions had adversely affected pro-

ducers in a few States, but that from a national perspective the overall impact was relatively modest on producers as well as consumers.

While this may be true from a national viewpoint, it certainly is not accurate for Georgia and some other States. Thus, this is the reason I scheduled this hearing today. While some in Washington may have concluded that the drought was not as bad as originally thought, I wanted everyone to know that this is not the situation for Georgia farmers. The pain and suffering are intense, and this story needs to be told.

While I know what the drought has done to Georgia agriculture from firsthand experience, some may not believe me when I tell them how severe the situation really is. That is why I have invited Georgia farmers and others here today to tell their story to officials of the various agencies of the Federal Government that administer disaster programs.

After these Georgians have had a chance to explain the difficult shape the Georgia agricultural economy is in because of the drought, I hope that a frank and meaningful discussion can take place to see how these Federal programs can be better administered or changed administratively to help alleviate the economic suffering that most Georgia farmers face. While it may be too late in the year to make major legislative changes to help drought-stricken farmers, I am confident that much more can be done with the current programs to get the job done.

In addition, as chairman of the Committee on Agriculture, Nutrition, and Forestry, during the development of the 1981 farm bill next year, I intend to push any major legislative changes that may be needed to aid disaster-stricken farmers when a similar situation arises again.

We already have a good start on this with the comprehensive crop insurance bill that we pushed through Congress earlier this year. There may be other badly needed changes, however, and I stand ready and willing to make them.

Now, is Senator Nunn, my colleague, here?

Sam, we are delighted to have you and Congressman Ginn present with us today and we will be happy to hear any statement you may wish to make at this time.

#### STATEMENT OF HON. SAM NUNN, A U.S. SENATOR FROM GEORGIA

Senator NUNN. Herman, I just want to say that I am delighted you are going to have this kind of hearing today. I think it is timely. I think it is absolutely essential that the people here in Washington translate what is for them, often only a statistical problem into a human problem, because that is what it is.

I happen to farm myself. We had a terrible year in middle Georgia. I am not going to combine any soybeans, not 1 acre and I am not going to pick a single peanut. I have had a 100-percent disaster with both crops, and I know exactly what Herman is saying when he says it does not matter what the price is if you do not have anything to sell. It does not do you any good.

So I have complete, total understanding and sympathy with the problems that our farmers are facing. I do not pretend to have all the answers, but I think this hearing will be very beneficial.

Herman, I certainly will support your efforts and work with you to do everything we can—with Congressman Ginn and others, and officials within the Agriculture Department and within our other agencies—to see that we really try to bring some relief. But it is going to be a very tough, hard road, particularly since we are at the end of the session.

I do believe this hearing will be very beneficial, and I want to pledge my total support.

The CHAIRMAN. Thank you very much, Sam.  
Congressman Ginn.

#### STATEMENT OF HON. BO GINN, REPRESENTATIVE IN CONGRESS FROM THE FIRST DISTRICT OF GEORGIA

Mr. GINN. Thank you very much for the promotion, Senator.

Senator, first I want to thank you for giving farmers and agribusiness people the opportunity to come to Washington to appear before your committee in an official capacity. I was present in the State when you promised that such a hearing would be held, and I want to thank you for following through on the promise.

As I travel around the 20 counties in the First Congressional District, Senator, those that are involved with agriculture, it is the most critical situation I have seen in my lifetime. Many of our farmers are absolutely broke. Their spirit is fast fading, to the extent that they just have no desire to farm. They just do not see how they can farm any more. That is true in several of our counties.

I think this hearing is extremely important. I think the outcome of this hearing is even more important because, while rhetoric is good, these folks have got to have some help. And all of us know, Senator, that you are a leader in agricultural matters and we are here to support you, as Sam says, and thank you for having us here.

The CHAIRMAN. Thank you very much, Bo.

Now, we are fortunate to have a number of very distinguished representatives of the Federal Government here today. From the U.S. Department of Agriculture Deputy Secretary, Mr. Jim Williams. Mr. Alex Mercure, Assistant Secretary for Rural Development; Mr. Allen Brock, Deputy Administrator of Farm and Family Programs, Farmers Home Administration. Mr. Grant Buntrock, Assistant Deputy Administrator ASCS; Small Business Administration, Mr. Jack Moore. Disaster Chief of the Small Business Administration, Mr. Clarence Bond, Atlanta regional office. Mr. Fred Reed, Atlanta regional office.

We also have Mr. Howard Hjort, Director, Economics, Policy Analysis and Budget of the U.S. Department of Agriculture.

Secretary Williams, we will be delighted to hear from you at this time. Do you want to make a statement now or wait until we have concluded?

Mr. WILLIAMS. Mr. Chairman, let me briefly respond because, as of late Thursday, I was not scheduled to be here. Your office

contacted me and asked me to be here to hear the presentation this morning. I made some changes in my schedule in order to be here.

The CHAIRMAN. We are delighted that you did, sir.

Mr. WILLIAMS. The statement was prepared for this morning's committee hearing. Assistant Secretary Mercure, who has direct responsibility for Farmers Home REA is going to make a prepared statement and then Howard Hjort, our Director of Budget Policy Analysis and Economics will accompany him and talk about the economics of the disaster of the drought this year and the supply and demand. We just put out a new estimate of crops last Thursday afternoon. All of that is part of the package of material Mr. Mercure plans to go over.

What I would like, though, perhaps is some instructions. I believe at some point today the statement should be read and the background information reviewed by all of you who are interested in this serious matter.

But, for the moment, Alex, do you want to summarize the statement, or what would be your preference?

The CHAIRMAN. I recognize at this time Mr. Mercure.

**STATEMENT OF HON. ALEX P. MERCURE, ASSISTANT SECRETARY FOR RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE**

Mr. MERCURE. Thank you, sir.

I think it would be appropriate just to summarize the statement and submit the full statement for the record.

The CHAIRMAN. The entire statement will be inserted in the record.<sup>1</sup>

Mr. MERCURE. Thank you, sir.

The statement includes the broader economic analysis that one looks at, including the rural banking situation from our perspective.

I think it is important to emphasize what the Senator pointed out, that in cases where you have no production, good prices do very little good for the farmers. It is a very obvious consideration and it is a very serious problem.

Because of the drought, we expect that there will be wider than normal differences in the income situation of crop producers. For example, estimates of per acre corn yield in Missouri are only half of last year's levels while the yields in Michigan and Ohio are estimated to be better than 1979. So we are going to have that kind of scattering effect.

It is going to be very important for us, as an agency, to be in a position to respond to the areas of distress where that distress occurs.

Soybean yields of Missouri, Arkansas, Georgia and Mississippi are estimated to be reduced at least by a third, from last year's yield while yields in northern and eastern Corn Belts are estimated to be at least as high as 1979.

Cotton producers in Texas, Louisiana, and Georgia may have yields, on an areawide basis, as low as one-third or more below last year's, but there will be farmers who will have little or no yield at

<sup>1</sup>See p. 46 for the prepared statement of Assistant Secretary Mercure with attached appendixes, FmHA instruction 1945-B and accompanying related material.

all, the same situation Senator Nunn identified for his own operation.

We have more specific details included in the attached report regarding the crop production. But I think that generally summarizes our perception of what has happened.

In some portions of Georgia, I think the general statement that Senator Nunn made is affirmed by our own analysis, probably 50 percent reduction in production or more, corn, tobacco, soybeans, and so forth.

The problem clearly is severe and I think we recognize it. What I think is important to note also, a point that we bitterly recognize, is that good production and good prices are a much better solution than credit. In the absence of either one of those, then we have to deal with the real situation of maintaining the viability and stability of the farmers so that production can continue.

And the only solution that we can think of at this time is adequate sources of credit and adequately managed credit resources. For this reason I think it is important that we take a look at that whole situation.

Our emergency assistant program is also detailed. I would like to hit some of the high points here. As you know, through this legislation you have been very critically involved in passing, it provides authority for the Department to provide credit to farmers.

A very tough problem that farmers face along with rural bankers is that, obviously, without decent production bankers find that even ordinary good sound borrowers have trouble with payments. It is very difficult under the current economic conditions to judge which are sound loans.

In the areas hit hard by the drought, as of September 12, we had 1,456 counties in 25 States that were designated as drought emergency counties.

From a personal view, I was in Macon, Ga., a few weeks ago when we were having a hearing related to alcohol. At that time, I got the opportunity to talk to some of the people in the farm communities and they were, by that time, giving us very distressing signals, obviously, and these were confirmation of previous experiences.

I was also in Lubbock, Tex. After traveling through parts of the country you could see the effects of the drought in that area.

So the problems are, from our view, fairly widespread, but every county in the States of Alabama, Arkansas, Kentucky, Missouri, North Dakota, Oklahoma, and Tennessee, for example, are now eligible for USDA drought emergency aid as are 153 of 159 counties in Georgia.

So it is important for us to focus on what kind of help is available.

USDA has six key disaster aid programs which make direct payments to producers of feed grains, wheat and cotton when yields are damaged by weather; the Federal crop insurance program; the emergency conservation program; the emergency live-stock feed program; and two emergency loan programs. It is too early in the harvest season for our current level of disaster payments to reflect the severity of the drought. That we normally do not do until the harvest season is over although, in some cases, it is

already clear there is not going to be any harvest. However, payments of \$253 million have been made. That is the latest update that we have.

The Federal crop insurance program provides farmers insurance against crop losses. We estimate that about \$230 million will be paid in claims against the 1980 crop losses.

The emergency conservation program and the emergency livestock feed programs are also available for specialized assistance. The Department has allocated \$24.8 million for conservation measures to overcome flood, tornado, volcanic ash, and drought damage. An additional amount of \$30 million will be used for emergency livestock feed, and the maximum assistance rate on that program was recently increased 50 percent to compensate for higher feed prices.

In addition to these programs, there are emergency loans. Thus far, in fiscal year 1980, Farmers Home Administration has made over 95,000 emergency farm loans for about \$4.3 billion. Of this amount, \$2.2 billion was for disaster loans and \$2.1 billion for economic emergency loans. And in a drought situation sometimes it is very hard to distinguish between the two. You can almost be certain that there is going to be an economic emergency if you have no production.

You may be interested to know, Mr. Chairman, that Georgia farmers received, as of the date of this report, 6,028 regular emergency loans for \$285.5 million, and 1,056 economic emergency loans for \$63.1 million.

I want to go into the operation of our emergency loan program in somewhat more detail because that is one of the issues people are very concerned about.

One of the common things that happens, as you know, is that in periods of generalized stress, the pressure on our existing work force creates a backlog and delays that are not necessarily the fault of the county supervisor of the State office. They are the result of an overloaded situation. We are trying to deal with that question. For that purpose I want to point out some of these activities.

Recently, Congress passed Public Law 96-302, and that is the legislation that affects Farmers Home Administration. It provides that Farmers Home Administration is the primary credit agency for disaster loan assistance.

In recent years, SBA and FmHA have had somewhat overlapping responsibilities for this assistance.

Pursuant to the amendments embodied in that law, USDA and SBA are developing a memorandum of understanding which outlines very clearly their responsibilities.

Let me just briefly point out that for purposes of current disasters, both the SBA and Farmers Home Administration—and I am sure you will hear from SBA—are both going to have responsibilities to provide loans and assistance to farmers, in the case of SBA, for any drought that occurred before July 3.

We will have authority to do it for droughts that occurred prior to July 3 as well as afterward.

The matter of concern that we have at this point, which is primarily severe, is the issue of manpower. The ability of the

agency to respond is the surge of demand that we can expect within the next few months.

With that regard, we are attempting to structure our efforts to deal with that question. One is, we have solicited from experienced credit people proposals for them to provide loan-making, and loan-servicing on a contract basis to take care of the crisis in the critical state it is going to be in in the next few months.

The other one is we are issuing authority to the State directors of the Farmers Home Administration to put on experienced loan specialists who know farmers and agricultural lending. These will probably come more normally from some of our own former employees of Farmers Home Administration, particularly those who have retired.

We are going to put together a national team, a cadre of people that we can move, if you will, to the hot spots of demand to be able to respond again to the large expansion of credit that we need.

Additionally, we hope we can work with the existing banks to provide guarantees so they can extend the loans without having to close out the lines of credit that have been established. We have authority to provide guarantees in that respect. Where that is possible, the guarantee, we think, will overcome the problems banks often have when bank examiners examine loans that have to be rolled over because there is no expectation of payment. With the guarantees, I think, the examiners will take a second look at that without penalizing the banks.

I think it is critical to understand that the case analysis, case-by-case reviews and appraisals which are being made, which we expect will have to be made, will also be more directly and more intensively over the next few months, according to our current plans, and the county loan committees. We expect to be able to call those committees to work on a more continuous and systematic and on a more often basis, if you will.

Second, in addition to that task, we are asking the local county committees to begin to assess in their counties the extent of credit requirements and help our county supervisors overcome the processing problems.

The economic emergency program was enacted in 1978 and we expect to use its authority to the fullest extent possible. However, I think our greatest tool in this case is going to be the emergency loan program—the natural disaster emergency program.

The economic emergency loan program will provide loans for up to \$400,000 for eligible farmers who cannot borrow from other sources, and who need the additional capital to remain in farming.

I guess one of the other relatively crucial issues beyond dealing with the timeliness issue and beyond helping farmers stay with their current lenders through guarantee mechanisms, is the issue of the authority that is in the economic emergency loan which is to provide subsequent and financing beyond covering the lost portion of the farming operation; and that is the farm planning which permits the farmer ultimately to avoid the disaster of drought.

In some cases, it may very well be to provide, hopefully, with assistance from a number of other agencies that we are affiliated with, the Extension Service as well as Farmers Home and ASCS, the kind of assistance in terms of a farm management plan that

provides, perhaps in cases where applicable, supplemental irrigation. So the best guarantee is, obviously, sustained and continuous profits; the kind of insurance that you will have a profit, year in and year out.

And we have great variations in the country.

In Texas and in the eastern side of my home State of New Mexico, where we are lucky if we get an average rainfall of 20 inches a year, and that probably means we get it once a year, 1 out of 5, and the other parts of the year more or less, we have to irrigate on a constant basis.

If we have 40 inches of rainfall, aside from that appearing to us a tremendous amount of rain, if it comes at the wrong time, it does not do much good for the crops. So that is one of the issues I think we need to be working with, both with the farm community and our other agencies to try and provide the kind of stability over the long term that loans do not necessarily do unless we structure them in a farm management scheme.

Currently, the Department also has moratorium provisions and deferral provisions which we are instructing our State offices to exercise in partnership with our local committees, exercise the deferral provisions which the law provides, provide for deferral for a number of years, provided that there is some expectation that over time the farm operation is viable.

It does not mean that this year's crop has to be viable, but that there is reasonably good long-term management capabilities and that over time that loan can be paid and the deferral can help the farmer stay in business.

That authority which the Department has will be examined on a case-by-case basis. We do not believe it is appropriate to set it up on a blanket basis, either on a State basis or on a region wide basis. We think it has to be examined individually.

That probably is our most effective tool currently for people who are current borrowers from Farmers Home Administration, which is to use the deferral and moratorium provisions which are currently in our authority.

We think that the experience and judgment of county committeemen will provide the kind of resources to expand the experience of our own county supervisors. And we intend to strengthen the role of those committees particularly during this period of critical times.

Mr. Chairman, I think that perhaps this is all that I need to say at this point. Let me reiterate, with your assistance and the assistance of the committee, over the years an emergency loan program has been provided that gives us tools to work with during periods of stress to farmers.

It has been a very useful program, but I do not know that we have had any period of time such as we have had over the past 4 years with 2 years similar to the one we have now, this one and the one in 1977, where we have had very extensive weather-related problems in agriculture. And the interesting thing about what happened, for example, in 1977, we hit near record crops nationally, but on a situation region-by-region basis; we had large numbers of farmers that suffered very severe stresses. This is one reason why we think we have to begin to start doing a kind of farm

planning that will lead toward stability in those regions that have had some difficulty over the past 3 or 4 years.

We expect that we will exceed the record lending we had in 1977.

We also expect that we will have greater needs this year for deferral and moratorium authorities or implementation of those authorities which are currently in the law. We believe that the current law is strong enough to permit us to deal, not in the best way—the best way will be good price and good production—but to deal adequately with the issue of credit.

The CHAIRMAN. If I understand you correctly, you say you have all the laws on the statute books that you need to roll these loans over? Is that correct?

Mr. MERCURE. Yes, sir, we believe we have all the authority that we need, but I think it is important, and this is why I think this hearing is critical. It is important for Members of Congress also to be informed of the fact that because of the critical situation we have not just in a few States, but quite a number of States, that the pressures and the necessity to implement that law, that you ought to be as informed as we and the farmers, so that we can use that authority as effectively as possible.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Several months ago, Congressman Ginn and I were in Statesboro. We had a breakfast meeting at that time. There were several hundred farmers there, not only from Bulloch County, but four or five other counties in the area, and they pointed out to Congressman Ginn and me at that time the severe economic conditions affecting that area of Georgia.

Since that time, the situation has worsened and at that time Mr. Bradley organized the breakfast meeting and had a number of farmers, agribusiness people, and bankers point out the problems, economic and otherwise in the area.

So Dudley was kind enough to bring some of these same people to Washington today. He organized it, and I recognize Dudley Bradley, Sr., at this time, who is a certified public accountant, who handles records for many farmers and business people in that area. So the gentleman is knowledgeable of their economic situation.

He is a personal friend of mine. I am happy to recognize you at this point, Dudley.

You may call upon the speakers as you see fit.

#### STATEMENT OF DUDLEY BRADLEY, SR., ACCOUNTANT, STATESBORO, GA.

Mr. DUDLEY BRADLEY. Senator Talmadge, Senator Nunn, Congressman Ginn, Deputy Secretary Williams, and other distinguished officials:<sup>1</sup>

It is an honor for me and a group of farmers, agribusiness leaders and bankers of the First District of Georgia to have the opportunity to come to Washington to present our problems that we are facing in farming.

Senator, when you were in Statesboro on August 2, we had channel 11 news to come out of Savannah and after the meeting go out to some of the local farms that we might televise some of the problems and at this time we are going to show you some of the

<sup>1</sup>See p. 32 for additional testimony of Mr. Bradley.

film we had on August 2, and then some filming we had just a day or two ago that you gentlemen might get a view of what we are facing in farming prior to the speakers speaking.

[Film presentation.]

Mr. DUDLEY BRADLEY. Gentlemen, I think you can see with what we have presented here that the stories you are about to hear will be even more real to you. And at this time I am going to present our first speaker, who will be a farmer from the Bulloch County area, my brother Johnny Bradley.

Johnny.

#### STATEMENT OF JOHNNY BRADLEY, FARMER, REGISTER, GA.

Mr. JOHNNY BRADLEY. Thank you, Dudley.

Senator Talmadge, Congressman Ginn, and Senator Nunn, Mr. Williams, all of you guests and all of you people who are involved in the SBA, FmHA, the Federal Government sector in any way.

We want you to know that we appreciate the opportunity to appear before you. If you have never met a first class country boy, you have now met him.

I was born and reared a sharecropper's son. I lived in housing you could feed the chickens through the floor. Since that time God has been good to me and I am grateful for that. I want this body of people to know it.

I farm in Bulloch County, Ga., as my brother has just told you. And I speak on behalf of the first district farmers and farmers everywhere.

I would like to say, to start with, that back in April I called Congressman Ginn, who is a close personal friend of mine, and I said, "Bo, something has got to be done." I could see it then, even in April. And after a good long conversation, he said, "Well, Johnny, why don't you come and meet us and testify before Congress"?

I immediately accepted and said, sure, I would be glad to. And I think Bo thought I was kidding for he said, "I am serious."

I said, "Well, I'm as serious as cancer. I'm ready to come. I don't have any choice."

So, immediately, I want you to know this, if I can have this much time. As Apostle Paul said, "I conferred not with flesh and blood." I'm not a smart boy myself, but I did much prayer before I came here. And I have got a lot of things that I would like to say, and the things I say are not intended to hurt anyone. The things I say will be factual. I can back up everything I say.

As I told Senator Talmadge earlier, the handwriting is on the wall. And I know there are many men here in Washington that are men of intelligence. That I do not question. There were also men of intelligence in King Belshazzar's Kingdom, but they could not read the handwriting that was on the wall, and that is why I am here. I would like to read this for you, if I can.

The American farmer cannot survive the escalating prices of fuel, fertilizer, equipment, and interest and so forth while the price of his commodities are going down. All employees on most any job can get a cost-of-living raise. How long since the American farmer has had a raise?

I was born and reared in this country, and I was told that even a refugee could make a living if he worked hard and made a good citizen. That a man's destiny was in his own hands. I am convinced this is all wrong.

The American farmer's destiny is in the hands of the U.S. Congress. We have no control; none at all.

I saw a TV ad not long ago for a Fram oil filter. It said "A \$5 oil filter or a \$700 repair bill. You can pay me now, or you can pay me later." A few cents now can save this catastrophe.

The Arabs and the big oil companies will sell their food to you as they sell their oil. You men that are here, you have been chosen to represent your people. And you cannot represent your people in their best interest by allowing the American farmer to be put out of business,

Now, we are here to ask for your help. We know we need this and you realize that is why we are here. We are asking for your help. If you provide—and I appreciate the remarks that you made, sir—if this money is provided, we can pay our fertilizer debts and our bankers, which, in all cases, they are close and personal friends of ours. We have no intention of beating them out of their money. But I would like for you to know that if and when you make this money available for us, and I pay my banker and I pay my fertilizer note, he charges me interest and my fertilizer dealer made a profit. At that time he had suffered no disaster. Regardless of how I get my money, you charge it to me. And if it is a low rate of interest or no interest, you want the money paid back. I am the man at the end of the stick. We have already had this 4 years in a row. And the thing that concerned me so when I first talked with Congressman Ginn back in April, I should have had a perfect season. I had no more control over the weather than you did.

I prayed hard, but still did not get rain. I worked hard. I believe I worked as hard as most of you in this room did. I have a 22-year-old son and he and I farm 850 acres of land and run a big hog operation and hire no labor. No labor.

So, the thing I am saying, we do not need SBA disaster. We have got to have it now. But that is not the solution to our problem. We cannot continue to produce food for less than it costs us to produce it. I do not have to be an accountant to know this. My brother is a real good accountant. He keeps me informed every year when I get an income statement at the end of the year and he winds up and says, "Johnny, you went in the hole again." That has happened 4 years in a row.

Our President is a great advocate of equal rights. But does he represent the American farmer? Everytime I see an American flag I think of the part in the Pledge of Allegiance which says "with liberty and justice for all." That is what it says. But I feel that the American farmer has received no justice.

I would really hate to know that I lived in a country where there was no compassion and no care.

Mr. Bergland told us farmers, while visiting us in Georgia, to hold our commodities until the prices went up and the demand went down. He forgot to tell us about the embargo or how to pay our banks with our commodities in the grain bin. It is time we looked at priorities. This Nation's strength lies in the ability of the

American farmer to produce food and fiber. No enemy will challenge while we remain strong. I think we can take a lesson from the strongest man who ever lived. With his bare hands he killed a lion. With the jawbone of an ass he slew a thousand men. But when his strength was gone he became weak, it cost him his life.

Most everything the American farmer buys comes through union labor. And to this we do not object. But when meat prices get to where there is a profit in it and they boycott our meat counters, we do object.

I sold 1,000 head of hogs this year in the first 4 months of this year, and every hog that left my farm cost me \$20. I am not talking about in labor; I am talking about in cost.

All we ask for is justice. And we feel that we have not received it. SBA loans will not do it. Disaster loans will not do it. We need it, but we need fair pay for what we do. There is not a man in this room that would stay in Washington if your pay did not support your rent and your food bills. You would leave your job; you would have to. You would have no choice. Higher income will pay back our banks, our fertilizer, our fuels, our chemicals, and our seed bills. Anything I say from here on—I have much to say—it will matter little unless we get paid for our commodities. We cannot produce our commodities at the current prices.

Something is wrong when I have to work from 60 to 75 hours a week with a \$360,000 investment and a man on a 40-hour a week job drawing minimum wage and the company furnishing his uniforms makes more money than I do. Something is wrong. I do not mean to sound hard, but it seems to me we have been used.

Our food is bought below production cost so it can be given away and the budget still be balanced.

The late John F. Kennedy once said, "Ask not what your country can do for you, but what you can do for your country." We have done about all we can do.

Our President said a few weeks ago, we have to be more productive; we have to produce more goods for an hour's work. We, the American farmers, have produced ourselves out of business. The more we produce, the more we lose. After this year, we probably will not lose any more. If you do not help us, we will not produce any more.

My dad told me, as a small boy, he said, "Son, it is not how big the dog is that is fighting, but how much fight there is in the dog." And we have fought hard enough to win, and we should win. But every time just before we win, we have a new dog turned on us.

We feel as did the Psalmist David, when he wrote Psalm 142, Verse 4, "I looked on my right hand, but there was no man that would know me. Refuge failed me. No man cared for my soul."

Does anybody care that the American farmer cannot survive?

It makes me think of the story when God was going down to destroy Sodom and Gomorrah. He stopped by to see his great friend Abraham and talked with him under a shade tree. And while under that shade tree, he decided he would go on down and destroy Sodom and Gomorrah. And he said, "Hey, I wouldn't be doing Abraham fair if I didn't tell him what I was fixing to do." So he stopped and said, "Abraham, I am on my way down to destroy Sodom and Gomorrah. The wickedness has come up before me. I

am going to destroy it." And Abraham looked God in the eye and said, "Would not the judge of all the Earth do right?"

I would love to ask this body of men, would not you do right? Men who have the power to change this, would not you do right?

I think you know. I really believe, if you did not, that is why we are here; we hope you will when we leave.

Isaiah the prophet said, "Come, now, let us reason together." There has to be an answer. We are reasonable men.

You know the story of Saul of Tarsus. Saul was on his way to Damascus and Saul saw a light. God had to knock him down before he could talk with him. But after he talked with him, he changed his name to Paul.

We have one in the White House. He changed his name from "James" to "Jimmy." I am not sure he has seen the light yet. That is why we are here.

Paul said, "I have persecuted the Church of God through ignorance." Surely Paul was not an ignorant man. He was one of the most learned men of his day. Paul just did not know the truth.

That is why I am here this day. I hope, even though you report, sir, that you went throughout the country and received these reports, and some of them are favorable in our favor, but I am hoping—I am really hoping that this body of men does not know the severity of it because I feel if you really knew, you would have to do something about it. We are hoping that you do not know.

Without your help, the American farmer will become a vanishing breed. We cannot survive in the way we are going.

I thank you for your attention.

Mr. DUDLEY BRADLEY. Thank you, Johnny.

Our next speaker will be John Spandle. John is a farmer from Claxton and will be talking about farm financial problems and proposed solutions.

John Spandle.

#### STATEMENT OF JOHN SPANDLE, CLAXTON, GA.

Mr. SPANDLE. Thank you, Mr. Bradley. Senator Talmadge, and Representative Ginn, I believe he has left, Under Secretary Williams and the other gentlemen of our Government here:

Gentlemen, I am John Spandle, as he said. I am 36 years old. I have been in the farming business by myself, and for myself 18 years. I did not start yesterday.

Gentlemen, we are in trouble. We are here asking you for your help. We have asked our bankers. They have helped us as far as we can go. We have asked our local people, and they have helped us as far as we can go. We have to have help from the Federal Government. We have to have it from the Senate and the House, and we have to have it from the Department of Agriculture and from FmHA and SBA, wherever it comes.

We do not necessarily need loans. I have all of the loans that I really can use. But I do not know what I am going to do this year. I may have to get another one. But the bottom line is more profit. But I am here to say to you gentlemen, a famous author once said, "You can destroy your cities and they will rebuild themselves. You can destroy your farms and grass will grow in the streets of Washington." This is happening in this country. We in the farming

industry see this. I hope you gentlemen in our Government see this also.

The independent family farms of our country are being simply destroyed. This is happening because of weather conditions which are beyond our control. It is also happening because of poorly designed, administered and, in a lot of cases, out-of-date farm programs. These farm programs force us to sell our products that are below the cost of production.

When will the Government wake up and realize that Americans can be hungry? We are the only country in the world that has this abundant supply of food and we produce the food at 70 percent off the world. We can be hungry in this country, gentlemen. When you have your shelves stocked and your stomach is full, you do not realize this, but this is on the way.

It takes 12 months to produce a food crop—not 2 months and not 2 weeks—it takes 12 months, and it takes 12 months before that in planning to do it also. So I have 24 months involved in every crop I grow. A lot of the farm programs that come across to me come across sometimes 20 days, 30 days before I can plant a crop. It is hard to plan on this kind of information.

Does anyone, the consumer or our Government, realize just how important food production is to the United States? The flowering of any civilization comes about when a certain percentage of the population can produce the food to feed the rest.

We, the farmers, feel that food production is just as important or even more important than military strength in promoting world peace.

When will the people of our Government wake up and realize that the Government policy, we feel, of cheap food for all and, in most cases, just to satisfy the consumer, and the consumer who votes, is not the answer for the farmer?

Gentlemen, will it be when there is no food?

We, the First District farmers, are in deep financial trouble, gentlemen. To be plain spoken, most of us are broke. We can be forced into bankruptcy by December unless we get some immediate financial help.

Gentlemen, these problems were not brought about by poor management. I challenge anybody here to check my farm records. I am as good a manager as there is in the farm industry in the United States. I cannot fight low prices and poor weather. Give me some high prices. Give me a decent profit and I will weather the drought; I will weather the wet weather. I will survive. But give me a fair profit.

We have several proposals that we feel will provide some immediate and some long range help for the farmer.

First of all, you have mentioned, but we have asked for a 3- to 5-year debt moratorium on SBA and FmHA loans. This is on an individual basis.

We ask for immediate changes to be made in the 1980 ASCS deficiency and disaster program to provide payments high enough to cover production costs. This program should include soybeans and peanuts as well as feed grains, rice, upland cotton, and wheat.

Low-interest money should be made available to all farmers to finance irrigation equipment with terms up to at least 40 years.

Provision should be made in this so a farmer can install this equipment on land that is leased on a long-range lease.

Low-interest money to finance grain storage facilities at lower than the 13 percent now charged by ASCS and then we ask for loans on stored grain—low interest loans on stored grain to cover production costs. And then we ask that farmers be provided or given the opportunity to insure his crop with Federal crop insurance that would cover the cost of production and also cover the farmers' living expenses.

Gentlemen, if I am a farmer, I pay my bills out of my farm income; and if I lose it and just get my production costs back, how am I to live?

We ask that target prices and support prices be set high enough to provide the farmer with a fair return for his investment, when compared with other parts of our economy.

Operation money should be made available to us through local banks with a Federal guarantee. Remove the farmers from the situation where in many cases one individual passes judgment on farm loans, such as with most all FmHA loans in our particular area and a lot of SBA loans.

There is a new and different caliber person now being forced to borrow money from FmHA. The local supervisors have not dealt with this kind of farmer in the past. We are having problems. Some of us have been treated shabbily by the supervisors. We do not like this. I am a good manager and I do not like the county supervisor trying to tell me how to run my farm because he is in a position of lending me money. This is not fair.

I ask that something be done about this.

Gentlemen, we challenge you, the lawmakers of our country, to give the farmer a deserving profit for his labor, and stop and think before you pass legislation just to satisfy the consumer in order, possibly, to be reelected. We challenge you to be big enough men to do what is best for this country, regardless of the personal cost.

Fair and equal treatment for the American farmer will help provide a deserved profit for the farmer and it will help provide a stable economy for the United States and it will help to feed a starving world.

Thank you.

Mr. DUDLEY BRADLEY. Thank you for that report, John.

On our agenda the next speaker will be Jimmy Akins, the president of the Young Farmers Organization in our area. Again, he will speak on farm financial problems and proposed solutions.

#### STATEMENT OF JIMMY AKINS, PRESIDENT, YOUNG FARMERS ORGANIZATION, STATESBORO, GA.

Mr. AKINS. Gentlemen, we appreciate you all taking the time to talk with us, to listen to these problems.<sup>1</sup> I represent a group of young farmers from Bulloch County, some 92 young farmers as a group. And the problems we are faced with, we started in business with our fathers. Our fathers are retired. And in this we are raising a family and we do not have a lot of acreage, collateral to cover these things. And we have slipped, this will be 4 years. We are going to be out of business.

<sup>1</sup> See p. 98 for the prepared statement of Mr. Akins.

The average age of American farmers is running between 55 and 60 years old. And these young people are going to be producing these crops if it is produced. And we need your help.

To break these problems down to the group here, the First District farmers, the basic problem is adverse weather conditions and low prices. And in these low prices, people that have made good crops have barely been able to break even. And whenever you have a year like this that comes up, and you do not get anything you are out. I have got 125 acres of peanuts, I may dig 30 or 35 acres of those peanuts and if I make over 1,200 pounds I am going to be doing good. In other words, that will not pay the spray bill on the fungicides much less insecticides, land rent and equipment.

But, in February, there was a group of young farmers came up and talked with people at the House with the help of Bo Ginn. There were things discussed then, such as, low interest rates and Bo has introduced a bill for this irrigation.

Now, this money for irrigation is good. We need it. We cannot afford to irrigate all of the acreage we farm because I farm 27 different farms that consists of 2,000 acres. And it would be impossible and impractical to try to irrigate that much. But we can irrigate enough to sustain ourselves a comparable production to keep us in business, a position we can refinance ourselves, and take good years and spread them out. We can go with this. But an irrigation program that only pays a third or half or three-quarters of what the irrigation equipment costs is going to be little or no help at this time because the farmers that are in this group do not have the revenue to put in to make it a complete program. And when you half finance a program or you set up a half-handed program, whenever you try to use it, it is like having 50 acres to plant and only having 25 acres of seed. You cannot cover it and you defeat your purpose. So we need an irrigation program that will not only give us ample money to set it up, but set it up completely so it will work for us. It will help keep us from losing more money and it will help us compete with the weather.

In some of the other levels, we understand there is a grain surplus. There was until this year. I think this is going to take its toll. But if we have these grain surpluses, we need to set up Federal grants for alcohol production and use up these grains. If we are producing a product at production level, we cannot sell for a profit, let us cut it off. Let us save our natural resources. Let us save energy.

And, on the energy problem, whenever we went from 55 cents a gallon diesel, and went to \$1 a gallon diesel, we had gone to this large equipment because we could not find labor to operate small equipment. Well, when we went from 55 cents to \$1 a gallon, we had to use it. He had to pay the price for it. My fuel bills doubled this year. And I financed my operation with 14 percent money, and that financing is still there until I do something with it. And even though the interest has dropped, my finance plan did not drop with it. So I am still paying the high interest. It is still eating me. But if we are producing these grains and we have got too many of them, let us take a set aside program and conserve our natural resources and energy or let us put them in gasohol, alcohol and make a profit for the United States. Because the American farmer is 3

percent of the population. Our productivity is twice that of any nonfarming industry. We employ 17 million plus people. We are exporting \$30 billion plus a year. Senator Talmadge told us it was closer to \$40 million when he was in Statesboro. This shows our productivity. We can do it, but we cannot do it for nothing. I do not think anybody wants us to do it for nothing. I think throughout the United States the problem we have is the total public image. If you want to say ignorant, they are ignorant of what it costs now for us to produce crops.

I do not think they want us to go broke. They know they have got to eat. I think we have got that ace in the hole, but they do not know.

Now, in 1954, we had a drought such as we have had this year. I was 8 years old. Daddy said the peanuts never did get big enough to lay by. Some this year have no peanuts. But at that time they had between \$60 and \$75 an acre in the crop and we have got between \$500 and \$600 this year. And it has put us in a position that everything that daddy had that he left me and my brother in our operation is up for collateral. And if we go out this year, he is gone and we are gone. And there are not enough jobs in our community to support farmers that are going to be out.

But we are not asking for a handout. We want to work our way out of this thing. We have always thought that through our productivity that the American farmer is capable of doing, we can work our way out. But we have to have help. And the American public needs to know our problem.

Because if you will tell them that if hamburger meat was compared to medical costs in the last 20 years, hamburger would be a plus \$4.20 per pound, if you take the way medical costs have gone up.

Eggs, in comparison to transportation, you are talking about \$3.41 a dozen for eggs. But we cannot continue to produce going in the hole. The hole is about full of all of us now.

But none of us who have spoke here, we are all farmers and none of us have said we are going to quit. If we leave, we are forced out. We want to stay. I enjoy what I am doing, and I think I can do it in a reasonable manner as far as financing and payback schedule if I can get a reasonable price. I have got to have help.

I told Bo when I was here in February that I realized at that time that the people in Washington are like a long-tailed cat in a room full of rocking chairs. He is busy. So I appreciate taking you all's time to hear this.

I asked Bo sometime ago if he had some people he could not convince of our problem, if he would let me know and get them to come to Bulloch County and I would put them on a tour anywhere they wanted to go.

My brother married a girl from the city and she went in the garden one day and was going to pick off some peanuts and she come back and said they were not out there. She did not know they grew in the ground. And this may be one of the answers. People need to know and you can see a lot more when you go firsthand.

The pictures up here are actual data that I was involved in and none of these were my fields but I have got some that look just like them.

If we can be of any assistance any further down the road, anything we can do, we will be glad to do.

Thank you, gentlemen.

Mr. DUDLEY BRADLEY. Jimmy, thank you for that report.

Our next speaker is Roy Gerrald. Roy and his son farm together in Bulloch County. And Roy is going to be talking on irrigation, tobacco program, peanut program, and crop insurance.

Mr. Gerrald.

#### STATEMENT OF ROY GERRALD, FARMER, STATESBORO, GA.

Mr. GERRALD. Senator Talmadge and Congressman Ginn and other officials:<sup>1</sup> It is an honor to have this opportunity to be in Washington. And I want to thank you gentlemen for taking time out of your busy schedule to come and listen to our problems.

Gentlemen, we farm, my son and I are in a partnership and we will talk about my operations to start off with.

We are in a partnership. We farm some 2,100 acres of land. We only own about 400 acres of it. We rent the balance.

We planted 82 acres of tobacco this year. We had a 239-acre peanut allotment and the balance of it is planted in corn and soybeans and we planted some wheat. In 1977, we had a disaster. We had a very, very small amount of irrigation.

In 1978, we saw the handwriting on the wall. We began to invest in irrigation.

In 1979, we had still more.

In 1980, we have still more.

In 1979, we had 900 acres of corn. We made 18,000 bushels, and sold it for \$2.16 a bushel. We went in the hole \$257,000. If it had not been for SBA, disasterous and a regular loan, we would not have been farming today.

In 1978, we had 400 acres of corn and we made somewhere in the neighborhood of 45,000 bushels. We sold it in the neighborhood of \$2.50 a bushel.

In 1979, we had 600 acres. We made approximately 90,000 bushels of corn. We sold it in the neighborhood of \$2.80 and \$2.90 a bushel.

In 1980, corn at the present is better than \$3.00.

In 1977, we spent \$31,666.43 in fuel.

In 1978, we spent \$48,115.73 in fuel.

In 1979, we spent \$59,540.42 in fuel.

As of September 1 of this year, we have spent \$78,628.97.

Our fuel costs have increased 148 percent.

Fertilizer in 1977 was \$146,792.89.

In 1978, part of this 1978 was due to the fact we began to irrigate and to irrigate and make it anywhere profitable, you need more fertilizer, \$263,740.69.

In 1979, we spent \$273,435.60.

This year our fertilizer bill has not been figured.

That is an increase of 86.27 percent.

Our labor increase, and that is due to the amount of tobacco we plant each year, \$47,176.77 in 1977; 1978, \$66,072.35; in 1979, \$69,894.50; and we do not know what it will be this year.

Repairs in 1977 was \$22,833.11.

<sup>1</sup> See p. 98 for the prepared statement of Mr. Gerrald.

Our equipment at this point was all practically new equipment. In 1978, our repair bills and supplies for tractors and other equipment was \$36,745.69.

Our equipment began to get old.

In 1979, it was \$75,217.88, which gives us 22.9 percent increase in repairs.

Interest in 1977 was \$50,058.45.

In 1978, it was \$98,588.08.

In 1979, it was \$92,709.43.

We have a percentage of 85.20 percent increase.

This year we are among one of the most fortunate. We had irrigation. And, to go back to your story here as FmHA, FmHA has no program to help us unless we have a 20-percent disaster.

If it is, I have read this thing and I could not find it.

Due to the prices that we are going to have to receive for our products, we are going to do good to break even. We are going to be investing some \$700,000 in operation and can hardly make a living out of it.

This is not too encouraging. Irrigation is an answer to production. Irrigation is an answer to supplying the food in this country that our and foreign countries need, but it is not an answer to our problem because if you cannot at least break even, or make enough to make a living, the strain and the stress is not worth it.

My son and I work anywhere from 70 to 80 and 90 hours a week with irrigation and farming our land and managing our land.

Gentlemen, without more for our products, the problem is not worth what we have to go through with. It is just that simple.

We are going to farm. I am not saying we are going to quit. A man who owns land today and rents it to me or any other of these farmers is almost crazy because he can take his land and sell it to foreign countries, take the money, put it on interest and get three to five times what we pay in rent. This is something that we should look and think about.

And I feel like that with your help and prices, storage—if we can store our products, and if you people will lend us money to pay our bankers our costs, do not put any deadline on when we have got to sell it, and let us sell it when we get a profit, we can stay in business. If we cannot get a profit, we cannot stay in business.

I would like to talk a little bit about tobacco. At the present time, it takes us about 9, 10, or 11 weeks to grow it and it takes us 12 weeks to sell it.

I have got 70,000 pounds of tobacco on the floor today. I cannot sell it because of the time that is not allotted to our buyers. I cannot go and pay my banker that 14 percent money I got. So it is costing me.

Those piles that rot on you or get damaged on you, you take anywhere from a 50 to a 75 cents a pound loss. We are absorbing this, we farmers. We do not feel like it is right if we are going to grow tobacco. We feel like from what I understand from talking to the buyers that we do not have the drying facilities to dry this tobacco so that we can get rid of it. We need to spend some money on dryers and move our products, at least, we will not lose on negligence in the sale of our products.

I understand our peanut program, if you have—which is going to be a disaster this year—we could lose the poundage that was quoted to us in 1981.

I understand that the Secretary of Agriculture has this authority and power that he can override this, I believe it is 10 percent, I believe they can cut your poundage the following year. He has the power, I understand, to do away with this. Give us our poundage—at least give us some extra acreage to make this poundage so we can pay our just and honest debts.

I want to thank you again, everyone of you, for coming to listen to our problems. We hope and pray that something will be accomplished from this meeting.

Thank you.

Mr. DUDLEY BRADLEY. Thank you, Roy.

Our next farmer is Ben Larry Lanier, who farms in Jenkins County, where our fine Congressman Bo Ginn lives. Larry is going to speak on price spread on income from commodities and cost of production over the past 6 years.

Ben.

#### STATEMENT OF B. LARRY LANIER, FARMER, MILLEN, GA.

Mr. LANIER. Senator Talmadge, Senator, Nunn, and Congressman Ginn, it is a privilege to be here today. I would like to summarize what Roy was talking about, that we are paying for products that we have to buy and products that we sell.<sup>1</sup>

It shocked me when I got the records of 1975. I did not know we were losing money in 1975, but we were. According to the records in Jenkins County, which these came from, they may vary a little bit from one place to the other—

You all are looking at me kind of funny. I am just like that cat in that room full of rocking chairs. I am pretty nervous up here. I might not do everything just right, but you all just bear with me.

It cost about \$5 a bushel to produce soybeans in 1975. When I got the prices down for 12 months with the selling price, I found I was selling soybeans for \$4.55 a bushel. Thus we have been losing money. I thought I was making money in 1975. I was getting along a whole lot better than I am now. I did not care about the money I owed as much as I do now.

But what I am getting at, we are selling products below the production cost—machinery, fuel and everything has risen approximately 70 percent in the last 6 years. I was shocked to death. Soybean prices rose 39 percent, according to my figures, and I thought that was wrong but it was pretty close to right.

It all boils down to the fact that we have got to have the cost of production for what we are producing. We are buying ourselves out of business is what it amounts to.

My daddy told me one time, he says, "Son, remember one thing"—and I have not forgotten it—he said, "You can borrow yourself out of debt," and I have done it.

Probably in December I will be out of debt. I will not have anything, but I will not owe anything.

<sup>1</sup> See p. 99 for the prepared statement of Mr. Lanier.

So, sir, we are coming up here and asking you all for help. I do not know the solutions to it. There have been a lot of solutions talked about.

It reminds me of a little story one time—and this is a true story I am going to tell you all—We had—I go to church pretty regular—not every Sunday, but I do go—we had a man up there running a little tavern. Now, this really happened. We have two or three bad fellows there in the county who was hanging out in this place. So they went up there to the little tavern that Sunday morning and the man sold them two bottles of beer. Our preacher found out about it. He went over there—and I know the man who is running the place. He is an old man and kind of plain spoken. And the preacher was Preacher Pitland. The man's name was Charlie. He said, "Charlie, you just oughta not a sold them men that beer on Sunday. Don't you know that's against all the laws and all the religious laws?" The old man Charlie, kind of talked soft, and he says, "Preacher, they go to you to save their souls." He said, "They come over here to me and told me they was dying and I saved their lives."

So we have come up here and our souls are in pretty good shape, but our life is in jeopardy. So you all have the faith and save our life.

Thank you, gentlemen.

Mr. DUDLEY BRADLEY. Ben, thank you for that report.

We are going to move down the line now to some agribusiness dealers. And our first speaker will be Charlie Joiner. Charlie owns the International dealership in Statesboro. He is going to be speaking of farm economy as it effects farm equipment industry.

Charlie, go on.

#### STATEMENT OF CHARLIE JOINER, STATESBORO, GA.

Mr. JOINER. I am Charlie Joiner from Statesboro, Ga.

I have been associated with the farm equipment industry for more than 20 years and have owned and operated my business in Statesboro, Ga., for the past 8 years.

Gentlemen, the farm equipment industry, like the farm economy, is in a very depressed state. We dealers have large inventories and high equipment prices, and we are dependent upon a very depressed farm economy to dispose of these goods. We have high and growing accounts receivable with our good, long-time customers. In southeast Georgia, we are also faced with a very serious drought year.

Our farmers, who have been experiencing high production costs and low prices for their crops, are today facing extremely low crop yields to actually no yields at all. They have no income with which to meet their obligations or to provide a return on their investments. We dealers are faced with our own obligations to our suppliers for our floorplan goods which are coming due and with the rising cost of doing business in today's market.

The farm equipment industry has contributed greatly to the increase in productivity during the past 40 years. However, the prices in our industry, like those other production goods required by the farmer, continue to increase in price while his income

declines. An example, in 1975 a very popular size tractor sold for \$18,000 today that same tractor sells for in excess of \$34,000.

The farmer is expected to constantly increase his productivity, while the other industries simply pass along their reduced productivity in the form of price increases. Our industry's contribution is vital to the production of food to a hungry world. And we believe the farm equipment industry plays a more vital role to the basic needs of our country than does the automobile industry. However, all we need and all we expect is a decent farm economy to correct our problems. And we appreciate the opportunity of presenting our views to the committee. And we hope that you will listen and provide us with solutions.

Thank you.

Mr. DUDLEY BRADLEY. Thank you, Charlie.

Our next speaker is Charles F. Shiels. And Mr. Shiels is the owner of Southeast Ag-Products. He deals mostly with irrigation and spraying equipment.

Mr. Shiels, at this time.

#### STATEMENT OF CHARLES F. SHIELS, PRESIDENT, SOUTHEAST AG PRODUCTS, STATESBORO, GA.

Mr. SHIELS. Thank you, Dudley. Thank you, Senator, Bo Ginn, friends, ladies, and gentlemen:

Most of you do not know me. My name is Charles Shiels. I am president and owner of Southeast Ag Products, Statesboro, Ga.

I started Southeast Ag Products in 1973. We manufacture irrigation and spraying equipment.

Our yearly sales started with \$130,000. Last year our sales were \$2.5 million. We started in 1973 with two employees. Over the past 5 years, we have had as many as 35 employees. Things were good. Things were real good. But, Senators, Southeast Ag Products and myself are in trouble. The economy has really gotten to us. I could easily lose my business if something is not changed in the next 3 to 6 months.

One year ago, I started seeing the problems that we were creating. I saw at that time I was going to have to cut down. Instead of \$2.5 million in sales, I was going to have to go the other way. I could have the sales. The sales were there. I could grow and grow and grow. But I could not finance them. I had outgrown my banker. I did not have anyplace to go. I had all of my collateral used up. I mean my home, my business property, which is my personal property, and also the corporation.

I, as an agribusinessman could not go to FmHA or SBA as easy as some of the farmers or the large corporations in this country. We were between the rock and the hard place.

I had to lay off employees. I am running my business this year with only 11 employees. That means that I got rid of 25.

I had to take salesmen off the road. I had to do without things that I needed, things that I needed to change, trucks that I needed to replace. I do not have a truck in my business that does not have over 100,000 miles on it. When, and if, I replace these trucks, I will probably have to do it all at one time. And, again, this is another hardship. It is bad when you do not have cash flow. I had inventory, starting in January, of \$710,000, but I could not pay my bills.

My employees did not want to take the inventory home for paychecks. My banker did not want irrigation equipment. He wanted repayment in cash.

I had to sell my inventory at cost or at a loss. I had it there. I had to make sure that I could move it so I could meet my obligations.

Fellows, this is tough. It is bad when you have to sell your inventory at below cost. You say that you cannot do this, but I had to because I was paying 14 to 23 percent interest. And everytime I sold a piece of equipment, I was at least saving 14 percent. I have no large corporation, such as International or John Deere who could refloor plan or take the pressure off.

I had to move my inventory. If I survive in the business world today, I will have to ride on somebody else's shirttail. And that shirttail is going to be the farmer.

I do not know of any program or organization that will stand up to the small agribusinessman and say, "Hey, we are in trouble."

I do not know what we have to do, but we are going to have to ride on somebody's shirttail, and I hope the farmer will let us do this.

We have to come in right behind the farmer with some of this disaster money and some of this help.

Senators and people, can you help me save my business?

I need some problems control now. I have \$321,000 in accounts receivable. Over 80 percent of this is held by a Federal agency to the farmer. These Federal agencies, such as FmHA, are supposed to close the loans in 45 to 60 days.

Last year, I had two loans that were over 6 months in closing. I got commitments. The farmer got commitments. The loans were processed, but I waited for 6 months for my money.

I had over \$280,000 held by FmHA. Some of this money was in the county offices. It was not released. This money was in these offices over 30 to 60 days. They did not have time. But, yet, I was paying 14 to 23 percent every day. I cannot understand this. It is pulling us down. I have talked to other businessmen and they tell me the same thing.

If we could get our money released so we could operate, we could pay our bills and we could stop our interest. Then we would not be in the bad shape we are today. We are in the same predicament as the American farmer, and especially Bulloch County and surrounding counties.

If agriculture stays in this area, we are going to have to irrigate.

The irrigation people that are now selling irrigation in this area or manufacturing irrigation equipment will have to have more than our local banks to help us because if every farmer decides to put in irrigation next year, we cannot afford the inventory. We cannot afford the debt load. We would have to turn our money in a very short length of time, or we will go out of business.

We have people today that I have been doing business with for 5 years that require me to pay cash on delivery, not because my credit is bad, but because they have to turn their money. They have to know that they are going to get paid as soon as the equipment is delivered. Most all farmers feel that they would like

to pay their bills as soon as it is delivered, but they cannot. They go to lending institutions. It may take from 6 to 8 months.

To irrigate in Bulloch County and surrounding counties, we are talking about from \$300 to \$500 per acre, and maybe higher. If we had half the farmers to irrigate, you can imagine what the many millions and many millions of dollars this would take in inventory, and cash flow to supply the demand.

And this, Senators and friends, is why we have to have some help. It looks to me like the FmHA and some of our Federal agencies could work with our banks on this problem. Our banks know our farmers; they know our business people. They could speed up the problems we are having.

Senators, as you can see, I do not have a good solution for my problems. I know I have them. I know other businesses have them. I am trying very hard to control the ones that are hurting me the most. And the ones I have no control of, I am getting little help. But, Senators, I need help, and I need help now.

I need my banker's help. I need my customers' help and last, I need my Government's help. I need the Government to see the problems that I am having, to understand what my problems are and try to help me solve them so I can be in business for the years to come. Now, since the time that I have written this speech, which was in August, I have applied for an SBA loan, which was approved last week. And I want to express my appreciation to your office, Mr. Reed. Your loan officer came to Statesboro. He met with Mr. Bradley and I in Mr. Bradley's office. This man sat down and listened to me for an hour. He came down to understand my program and my problem, I believe. In turn, he asked us to put the package together. It went to the Atlanta office and we went with it and explained it again to him and some other people. And, within 2 weeks' time, we had this loan approved.

Now, if we can get people in these Government agencies to take a little bit of consideration and try to understand our problems and to expedite some of these problems, like Mr. Dinning did—I am going to mention his name—we will be a lot better off. And I really appreciate this.

Thank you very much.

Mr. DUDLEY BRADLEY. Thank you, Chuck.

Our next speaker is Gary Lee, who is county agent from Bulloch County. Gary will speak on farm economy from a county agent's viewpoint.

Gary.

#### STATEMENT OF GARY LEE, COUNTY AGENT, STATESBORO, GA.

Mr. LEE. Thank you, Dudley, Senator Talmadge, Congressman Ginn, and other distinguished members of this panel.

First of all, I want to try to hit some of the things we have not talked about. I have had this prepared and passed out.<sup>1</sup> I typed it myself and it has some typographical errors and probably some grammatical too because I did not have time for the secretary to go over it. But I think you will get the idea from this.

<sup>1</sup> See p. 100 for the prepared statement of Mr. Lee.

The first thing I would like to say is I was raised on a farm and I plowed mules, I have milked cows and I have hoed cotton and peanuts. I know what it is all about.

The only job I have ever had is county agent. I have worked for over 22 years and this is the only job I have ever had in my life. And I love being around farmers. I was one and this is the only way I could get close to it at the present time. The chances are, if things go the way they are, I will spend the rest of my life this way until I retire.

I know I have been with these people and I have worked just about as many hours as they have. I know the situation and I know their problems. I live with it in everyday life just as they do, and that is why I am here, and try to help convince you folks that something has to be done.

We have already talked about such things as dry weather and all the other disasters we have had. The prices are unbelievable. Two or three years ago you could sell corn at \$1.50 a bushel.

We have talked about equipment prices and fertilizer prices, and how they have gone up. Phosphate, for example, in Canada, they have got a built-in cost. They have got a set cost plus an inflation cost. Every month if inflation goes up 2 percent so does the price of phosphate. It costs as much money to get phosphate from Canada to Albany, Ga., as the phosphate itself costs.

Another problem we see in this same situation is some of the major suppliers of fertilizer, as exporters, sending it out of this country and making us pay more for it.

These are just some of the things.

Of course, the shortage of farm labor we have been talking about. We have had to substitute large farm equipment which costs a lot of money and the price of diesel fuel and we have to offset that.

We see inflated land values. This is one of the things. People have been out of business 3 or 4 years and did not know it. Because every time they reach that point, then the value of land will go up a little bit and the financial institutions will raise a little more money. But the land is not going up any more in our area. This is the end of the rope on that. We have nothing else to borrow, no more collateral.

These are some of the things that happen.

Of course, our embargoes caused uncertainty, and I do not think it really helped. We have mentioned this once before. If we are going to use our food in this country to fight wars, then put the money on the food. If we can put \$150 billion on artillery, ships and stuff and then turn around and use food to fight with. If this is what we are going to do, then put the money on food. This is what is going to really do the job for us.

I think this is something we should really seriously look at. And I do not think the embargoes ever really accomplished anything anyway. Maybe in the long run. But if it is absolutely essential to put an embargo on something, I do not think there should be a lot of fanfare about it—just do it; and then let the grain folks later on find out what has happened. Because this just causes panic everywhere and, as a result, the prices of grain did not move for a long

time. If you look at commodity prices every week, every day, it sits right where it was at and in some cases dropped.

These things I do not think ever accomplished anything. The one who gets the short end of the stick is the one who produces the food.

The folks who own the grain elevators, they have protection. During the time of the embargo that is the first thing the President said, "We are going to look after you; do not worry about it." What about the farmers?

The trade policies regarding farm products is just about in as bad shape as the automobile industries. They have almost got more farmland now in some areas put into automobile parking lots as they have farms. And our trade policies I think are pure chaos. Just like Japan, for example, they are killing us. Yet they will not buy peanuts and they will not buy beef. Several years ago we had beef cattle running out of our ears and they would not buy any from us. They still will not buy peanuts so far as I know. Yet they are sending in these Sonys and Toyotas by the millions and millions and I think our trade deficit is about \$7, \$8, or \$10 billion right now. They are killing us.

So these things I think ought to be looked into. These are some of the things that are causing our problems.

We need to really look at our trade policies closely. There are a lot of other things that have been mentioned that I am not going to try to go into.

I think the results of this are going to be that a lot of farms are going to be sold strictly for debts. I think there are going to be a lot of auctions. Nobody wants to do this. I know that Mr. Williams down there, and Jim Davis over here, another banker in the county, SBA, anybody, they do not like to sell farms. But in some cases it is going to be done. Some folks are going to quit out of pure disgust. But I honestly think that probably 20 percent or more people are not going to farm next year. Some of them do not know it yet, but they are not going to be there. And I think this is a terrible situation.

Another thing that has happened, land rentals. A lot of small farms, in Bulloch County, for example, and I think it is true all over the country, a lot of people rent land, a lot of small farms, and these people have been through, perhaps on social security, have been able to rent their land to their neighbors and to live on this. They did not have to go to anybody for anything. But a lot of folks have been renting a lot of land. We have a gentleman now, as I sit here—Mr. Gerrald testified that he rents a lot of land. They are going to let a lot of that land go and put on irrigation and conservation. What is going to happen if nobody rents this land? People are going to have to have some kind of assistance. They will sell their little farms and move to the cities and start looking for food coupons and other types of public assistance.

This is coming if something is not done. There is going to be a lot of moving out.

We are going to see a lot of folks cutting back in their operations. They are going to irrigate their best farmland. That means that less equipment will be sold, less timber will be bought, and

perhaps less fertilizer. So this is going to have an effect all up and down the line.

Back in February we said if people do not buy trucks in Bulloch County, somebody in Detroit did not work. This was in February. We did not know how severe it was going to be, but you see what has happened. When the farm economy goes down, all of the economy goes with it. It is just that simple.

So, we will see small farm sales. The less land that is going to be utilized in farming—and, of course, when you have these depressed sales that is a direct invitation to foreign investors. They are going to come. You are not going to see one. You are not going to see a guy walking around with a long white robe on because they have folks that are looking for it right now to consolidate this land. So, you will see a lot of farm sales and a lot of foreign investors. That may be good. And maybe the policy is to reduce the number of farms we have in this country; I do not know.

We are going to see corporation-type farmers. If people in this country think they are paying for food and groceries. To give you an example of what happened in San Francisco sometime ago, Standard Oil, Firestone, and General Motors bought out the utility companies and the Electric Co. of San Francisco. The first thing they did, they got rid of those electric trolleys and they put those GMC buses on those Firestone tires and burning Standard fuel.

There was a big article in a magazine where they had those trolleys stacked up 10 high. It was a disgusting sight at a time when we were talking about pollution and energy.

So if, for example, somebody like Standard Oil, Gulf, or any of these companies combine maybe with John Deere or some other tractor company and maybe a rubber company and bought up large landholdings of these farms, they will control production. And they can stand to ride it out because they are riding it out on somebody else's money. And when that happens, the general public is going to find out what paying for food is all about.

That is the problem with farmers. They do not want to choke anybody to death. They just want a fair living. If they would organize right now, they could do this.

These are just some of the things we think have already happened and what the results are.

We feel like some of the things that can be done is through your lending agencies. They have already talked about some of the things they would like to see happen.

I think education is a big part of this. You take some of your Cabinet-level officers spend a lot of money on education, telling people not to smoke; telling people not to eat bacon; do not eat those eggs; it is going to kill you.

Well, I think we tried. The USDA tried to educate people on the use of food, what we eat; but we cannot do it all. We do not have the money to do it with to start with. But maybe if the Department of Agriculture would start an education program and let people know that ham does come from hogs. And some of these things really they need to know. I saw a program up here in February where they were interviewing a bunch of retail grocers and I was dressed to come over and talk that morning. They said why are goods so high. They said it was because of the way farmers are

having to farm. They have to pay so much for diesel and so much for tractors and all this stuff and all the expenses they have to put in their crops. At that time they were getting less for the commodities they were having to sell than they were 5 years before. That is just a copout, you know, pass it along to farmers. They are getting less and never had more. So this is the kind of education system we are up against. We have to do a better job of letting people know what it costs and where it is coming from and I think the place to start is with the USDA.

Of course, I think one of the things that we can do is on individual cases. Now, when loans go out, when laws are made, rules are made, you know, everything has to be a blanket thing. I do not think it ought to have to be that way. I think there are individual cases where if a person is doing a poor job of management and maybe he does not need to be farming, maybe let him go. But those folks who are sincere and working hard and trying their best to stay in the farm business ought to be allowed to. And I think we ought to get down to individual cases rather than blanket-type things.

Maybe we ought to really look at some of our lending institutions and maybe it ought to be overhauled—have a Farm Administration and a Home Administration. It is pretty hard for one man in the county to sit up there and look at loans, one from an apartment complex and the other from a farm, and be able to rate each one of them like they should be done. They have got different interests. Each one is an entirely different thing. So, if we are going to have that, let the lending agencies, maybe run all the money through PCA for the farmers and let Farmer's Home take care of apartments and homes. I do not know, but there needs to be some overhauling there. As pointed out, it is a slow process. And really people who need to know about doing these things oftentimes are not there.

Another thing, I think we were talking about Federal crop insurance. I understand it has been passed but there are still some things that need to be in there. The people who write these things they really should have more local input into it. A person who is not a farmer cannot write a program. They do not know the problems. They ought to have more agricultural agencies involved and even on local levels they should be able to determine what the cost of crops are. It is very difficult for somebody to sit up here and tell you what it costs to grow an acre of corn in Bulloch County. In a lot of cases, they cannot do it.

This program, for example, we had some crops we know are gone. Soybeans are not going to make a thing in the world and yet they are being required to spray beans to carry out the program. It is putting good money after bad in order to qualify to receive payments from Federal crop insurance. Now, that hurts because if they say you have to recover one bushel of beans and you have to run a combine through there, it costs you \$25, it comes off your payments. This is what is happening. And we need more local input into writing these programs so that they will fit the local situation.

If somebody came up and said, "We will do everything you want us to do," I do not know whether I could tell you or not. But these

are some of the things I feel, from my standpoint, as a county agent in my county, and I have talked to county agents from surrounding counties from all over the State, and the situation is the same.

Gentlemen and ladies, I appreciate this opportunity to come up here. I do hope that you are taking us seriously because it is serious.

Thank you.

Mr. DUDLEY BRADLEY. Thank you, Gary.

Our next speaker is Everett Williams, who is chairman of the board of a bank in Statesboro. Mr. Williams is a member of the Rural American Agricultural Committee of the Independent Bankers' Association of America.

At this time, it is a privilege of mine to present Mr. Williams.<sup>1</sup>

**STATEMENT OF F. EVERETT WILLIAMS, INDEPENDENT BANKERS' ASSOCIATION OF AMERICA, STATESBORO, GA.**

Mr. WILLIAMS. Thank you, Dudley. Mr. Chairman, Congressman Ginn, distinguished gentlemen, ladies, Department of Agriculture, we again express our appreciation to each of you for allowing us the privilege of coming here to talk with you a few minutes today.

I am sure there will be some repetition in what I have to say since eight or nine persons from our part of the country have preceded me. I will try not to take up too much of your time as we talk about the problems facing the American farmer today.

As Gary Lee just said, I do not know the answer to what needs to be done. And I wonder quite often if anyone really does.

I cannot help but feel if we were to walk out of this room and ask the first 10 people we meet what they should do about the problem of the American farmer, we probably would get 10 different answers.

So we recognize the fact that you, Senator and the Department of Agriculture and all you folks here in Washington have a rather difficult job in trying to resolve this problem. I think we would get all these different answers primarily for three reasons: the unprecedented rise and increase in production costs the past few years; the steady decline in real farm income and the total farm debt in the United States at this time.

I am sure that all of you know that the farm debt in the United States at the end of 1979 was \$161 billion, and by 1985, it is projected to rise to \$275 billion. And even this staggering amount represents a growth rate of less than experienced in 1979.

It is also projected that real farm income is not expected to substantially rise from the 1979 level.

This projection was made several months ago. And now in south-east Georgia where all of us here are from, because of the most severe drought conditions that you saw and which you have heard about all the morning, farm income is not only not going to rise this year, but we are going experience a very, very sharp decline. And this, together with the 3 previous years, in which there were rather severe droughts, not to the extent of this year, but this year and the past three have brought many of our customers of our bank, and I am sure the other bankers from out of town will agree

<sup>1</sup> See p. 102 for the prepared statement of Mr. Williams.

to what I am about to say, brought many of our farmers and farm-related businesses to the very threshold of financial ruin.

I think Mr. Lee was charitable when he said that possibly only 20 percent, Gary, I believe you said, might not farm another year. I think he was on the low side probably.

We know from first hand that many of our farmers and farm-related businesses in our area have been unable for the past 3 years to pay off their operating costs—1980 is going to be even worse.

I only know what I read about the farmer's condition in the other areas of the United States, and I was glad to hear this gentleman say that some of them are experiencing good years this year. That is fine. But I do know that if something is not done and done now—and I would like to emphasize the “now”—that in our area there will be many less farming next year than did this year.

Many of our farmers have been able to stay in business these past 3 years only for one reason, and that was the increasing value of their farmland which enabled them to borrow more and more money. And we have seen that growth slow rather dramatically during 1980. I think that the farmer who is able to stay in business in the future will see his debt service become more and more susceptible to year-to-year volatility in his income. And you all certainly know how volatile his income is year in and year out.

Agricultural experts tell us that we are moving into an era of ever closer balance between world food needs and production capacity. Our domestic demand, which is growing slowly in response to population and consumer income, will not be large enough to support favorable farm income. To me that says that the purchasing power of the U.S. farm income for the next few years will depend critically on increases in exports—farm exports.

I think that our Government should exert every effort possible to expand agricultural exports. I realize that this takes time and is not the answer to the immediate problems that our farmers face today. However, certainly it should be a goal to try to reach down the road.

I think we have two problems that we need to consider today:

No. 1, what is to be done now?

No. 2, what is to be done long range to give us stability in the farm sections of the Nation's economy?

What should be done now? I do not think more and bigger loans at the prevailing rates are the answer. Even if they were, and this is important, gentlemen, most rural commercial banks already have higher loan to deposit ratios than do their city cousins in the money market center banks. Consequently, increasing the farm debt held by most of America's rural banks is limited at best.

As conditions now exist, I just do not see the funds available in 1981 to the same extent that they have been in previous years.

We have heard moratoriums mentioned this morning and deferrals. I do not think that is the answer in that it will not solve the problem. To me, it is simply a postponement and the possibility exists of a compounding of the present problems.

In the August 5 issue of the American Banker, I read an article which illustrates to me the kind of thinking on the part of the public that compounds the problems of the American farmer.

I want to quote a few passages from this column, which was headlined, and I quote, "Carter Turns His Back on Consumer By Giving Farmers Election Year Gift".

Now, I emphasize that I am not trying in any way to make any kind of political point. I am trying to show that it seems to me that for a long time many people have mistakingly, in my opinion, blamed the farmer 100 percent for all of their food cost problems and that is not true. That just is not the way it is. Too many others handle the commodities he raises from the time they leave the farmer until they reach our tables for him to be solely responsible.

Now, back to the column, and I quote:

President Carter has just given farmers an election year boost in grain price supports, and the consumer has come up a loser once again.

The Agriculture Department played down the impact of the hike in grain supports in announcing the action last week. Not to worry, according to a department fact sheet. Consumers will spend only an additional \$150 million a year for bread and other products.

Agriculture Department officials estimate that the White House's price support action will lift grain prices about 5 percent; and that is a boost in their food bills that consumers could have done without.

Yes, we could have done without this estimated 5 percent increase—but could we do without the food our farmers produce?

What would we eat if all of our farmers were forced to quit because of their 25 to 40 percent increase in production costs this year?

Where will the food come from to feed starving millions all over the world? Do we want to see these people starve? Do our consumers want to see these people starve and ourselves go hungry?

I cannot believe that we do. Is it right, gentlemen, to keep Chrysler in business and let our farmers go down the drain? I do not think so.

Farming is in trouble. We have several existing Government programs that are helpful, but, gentlemen, their administration, as has been said here several times already, is often cumbersome and far too slow getting the job done. The farmers in this room here today need to know soon what they can expect about financing in 1981.

One of them told me a couple hours ago that he should start planting wheat next month, but he does not know what he is going to do. They need to know soon. They do not need to know next February or March or April as happened to some of them last year. It happened to some of them in this very room.

I urge you to streamline all of your existing programs related to agricultural financing as the first step in bringing order out of chaos and hope out of despair.

I feel we will all agree on many things that are needed to improve our farmers' condition: better management tools, more irrigation, more improved crop insurance programs and on down the line. But the one thing I think we need to remember most of all is this: If he has everything that he should have and if he does everything that he should do, what has he accomplished if the end result is that he receives less for his crop than it cost him to produce it?

I recently read a rather detailed analysis of our agricultural economy and what the writers expected for the next 5 years. One

sentence in this study just about tells us what will have to be done. This is what it says, and I quote:

"Prices received by farmers will have to increase faster than prices paid by farmers to stimulate output, or Government intervention will be required."

I hate to agree with that statement, but it does seem that the answer is in Washington. It is time that those in position to do so should recognize the problems of the American farmer to the same extent they have many other groups in our society. You can do this now by making available direct long-term, low-interest loans to the farmers who have experienced crop failures because of conditions beyond their control.

Gentlemen, I feel that is the one thing that should have uppermost consideration, Senator Talmadge, on your part and the Department of Agriculture.

I think the rural banks in Georgia, in our area in particular, and the one from my county and another from Scriben County adjoining us, I think that we have done about all that we can do and have gone about as far as we can go. We have many, many farmers who have not paid us out in 4 years. The Government programs have helped, but they have not gone far enough.

I do not know whether you have authority under existing laws to make these long-term, low-interest rate loans that I have suggested. But, if you do, I hope you will give it immediate consideration because time is extremely important. If you have not, you will just have to try to get the law passed as soon as you can.

Thank you again for being here. And I would like to say that this group of people who are here today from Bulloch County, Evans and Scriben, they are good farmers; they are good businessmen. They work hard and they do a good job. But most of them are in the shape that they are in because of acts beyond their control. And I hope you will keep that in mind.

Thank you very much.

Mr. DUDLEY BRADLEY. Thank you, Mr. Williams for that very informative report. I appreciate what you said so much.

**STATEMENT OF DUDLEY BRADLEY, SR., ACCOUNTANT,  
STATESBORO, GA.**

Mr. DUDLEY BRADLEY. Gentlemen, in my introduction, the Senator told you I was an accountant from Bulloch County and I am going to try to summarize some of the things I see on the bottom line.<sup>1</sup>

I have copies of tax returns with me, Senator that have been made available to you and Secretary Williams and to other members of the Agriculture Department who might like to look at copies of these tax returns.

I will at this time specifically call names of clients because they have asked me to do so.

One of our men who spoke, by the name of Roy Gerrald. Mr. Gerrald's gross income in 1977 was \$548,000. His cash expenses were \$482,000, or 88 percent. He made a gross income of 12 percent. His depreciation was 10 percent, which left him with a net profit of 2 percent.

<sup>1</sup> See p. 103 for the prepared statement of Mr. Bradley.

I want to underscore the fact the 2 percent did not include any salary to the two partners and neither did the 10 percent depreciation include anything for escalating prices of farm equipment so that the equipment could be replaced when it was worn out. Neither does the 2 percent net include any return for land investment.

In 1978, Mr. Gerrald's gross income was \$555,000. His cash expense was \$798,000, or 144 percent cost. His depreciation was 9 percent and his net loss was 53 percent above the cost of production. A large amount of this loss occurred in 1977 when there was no revenue to pay the bills with, and the expenses were carried over to 1978 and paid from SBA disaster loans.

In 1979, Mr. Gerrald produced \$972,000 worth of commodities, with a cash expense of \$930,000, with a 96-percent cost and a 4-percent net. His overall loss was 1.38 percent above cost.

In the hometown of Congressman Bo Ginn, we have a gentleman with us by the name of John W. Newton, and John has been a client of mine for a long time.

In 1977, John had the same story—\$241,000 income; \$310,000 worth of expenses, for 128 percent, or a gross loss of 28 percent. He wound up with a net loss of 38 percent over production.

In 1978, he had the same story. His cost was 102 percent; his net loss for that year was \$32,000 or 13-percent loss.

1979 was the only year the man showed a 2-percent gross profit.

Mr. Newton's wife was a schoolteacher. She taught me when I was a boy. And the only way they have been able to survive and put food on the table was out of her salary.

I have other tax returns available to you that will be shown to you if you desire to see them on the Shaw brothers from Bulloch County. Johnny and Keith Bradley, my brother as a partnership. I have the Akins Farm from Bulloch County. And these returns tell me virtually the same thing that I have shared with you and you should have a copy of that in front of you.

The reason why I want to tell you why these farmers had these losses, and I hope you will pay specific attention to what I am going to say: In April 1977, diesel fuel was delivered to the local farmer at 43 cents a gallon. It is presently delivered, including sales tax, at \$1 a gallon. If they taught me math properly at Georgia Southern, that is a 132.5-percent increase, just in fuel cost alone.

In 1977, 5-10-15 fertilizer was \$95 a ton. In 1980, it was \$129 a ton, or a 36-percent increase.

In 1977, Ben Late Chemicals cost him \$6.30 a gallon. In 1980, it was \$9.69 a gallon, an increase of 54 percent.

In 1977, nutrients cost him \$18 a gallon. In 1980, it cost him \$21.85, an increase of 21 percent.

In 1977, toxythene was \$5 a gallon. In 1980, it went to \$7.50, an increase of 50 percent.

In 1977, the local banks in our area were making loans at 9-percent interest. In 1980, they made those operating loans at 14 percent. That is a 55.55-percent increase in interest rates.

In 1977, corn brought \$2.16 a bushel. In 1978, it brought \$2.37—now this is averaged across the whole growing season. In 1979, it brought \$2.80 a bushel. And through August 1980, it has been \$2.71 a bushel. This has been an increase from 1977 through August 1980

of 25 percent while the cost of operation has escalated from 132.5 percent in fuel to 50 percent in chemicals and 36 percent in fertilizer.

In 1978, soybeans brought \$7.23 a bushel. In 1979, \$6.47 a bushel. And in 1980 through August they have dropped to \$6.12. This is a decrease of 18 percent since 1977, while the cost of everything he has touched has escalated completely out of sight.

I believe you can see from these facts and from these figures that our farmers are in serious trouble. And, in my opinion, when the farmer is in trouble, the Nation is in trouble.

I would like to summarize just a few thoughts that has been said here today, and I hope I can put them in kind of a concise order. But, No. 1, I am convinced as an accountant when I see the facts and the figures and the land that they rent and the profits they produce and the price they get for it, that No. 1, they cannot farm without irrigation.

I thank Congressman Ginn for introducing legislation in the House to provide some irrigation for this purpose.

I am totally convinced that we must have storage facilities on long-term, low-interest rates. I am also convinced that once these crops are grown and put into storage facilities that there must be a cost of production on stored commodities and, in parentheses, without a mandatory date to sell.

If the farmer can go out and gather his corn and soybeans and put it in the bins. If the banker says in November or December, Johnny or Gerrald, you sell your crops and bring it to me, the banker has nothing but a legitimate right to ask for his revenue to be returned at a rate of interest.

The farmer is caught in a squeeze during the time of production and during the time of growing these crops. And then when he sells it, the market is very depressed and the crop prices are low, he winds up with no profit.

But I believe if the Government makes him a loan and will allow him, without any mandatory date when to sell, if we are going to tell him to sell it in 11 months and everybody knows it is going to be sold in 11 months, in 11 months we are going to have low prices; but if he can control his grains and the ASCS or some branch of the Federal agency comes out and inventories his grain and makes him the loan to know they are there, then when the prices go up, the farmer can go in and sell at a profit. He can take his money down to the ASCS office and pay off his loan. Come January 1, the banker says, "Come on in, with open arms we will loan you money next year."

I am also convinced that Federal crop insurance is a must to cover the cost of production. If we had a good Federal crop insurance program, we probably would not be sitting here today. That cost of production must also include, as Mr. Spandle said, something for living expenses if it is at all possible, Senator, at a premium they can afford to pay.

If a man's livelihood comes from farming—mine happens to come from the profession of accounting. My clients must pay their fees or my bills go unpaid. If a farmer has had a disaster and is getting back the cost of production, he must have something for food and to pay his family's operating expenses.

I think that we ought to make funds available for crop loans at low interest rates through local banks, the Farmers Home Administration or SBA. And, at this point, I did not mean to bring in anything to single out any agency, but I have two personal friends of mine, Clarence Barnes and Fred Reed, who are top officials in SBA in the Atlanta Office, and in 1977, they handled some 10,500 disaster loans in that office. And, in my opinion, Clarence and Fred did an excellent job with these people.

I appreciate this so much and had not it been—and I think Mr. Williams will back me up—had it not been for this, the bankers would have been in serious trouble had they not had some revenue coming from these loans. I would just like to say they did an excellent job.

I think there must be a disaster loan at low-interest rates made available immediately. And I would like to stress again, as my friend Everett Williams did, it must be immediately. It cannot be in February or March 1981.

I can look down the road and see my clients that spend most of their time in the lobby of the bank from January 1 until they get their operating money. The landowner says on January 1, the land rent is going to be paid.

Gentlemen, they cannot wait until February. They cannot wait until March for some legislation to be done. If this can be done under existing law, from the executive branch or if President Carter can do it through an Executive order, we must have help and have it immediately.

These funds have got to be made available for 1981 crops. We have got fertilizer dealers who are clients of mine that are sitting in this room today that are looking at accounts receivable that are beyond their control, some of them as much as half a million dollars. Everything that he owns is pledged to the local bank so that he can let these farmers come in and borrow on account.

Now the crops are not there. They are simply not there. They cannot gather them and take them to the market and get a reasonable price and the fertilizer dealer is in trouble. The agribusiness dealer is in trouble. His sales volume has dropped. The farmer has nothing to pay his debts with.

I am just making this statement to you that I hope that the Secretary of Agriculture, Senator Sam Nunn, my very close friend Congressman Ginn, and my close and warm friend Senator Herman Talmadge will do all that is within their power to work with whatever agencies are available that the farmer be given some assistance. We have always heard that the Midwest controls our problems and if the Georgia farmer has problems, maybe he is not so important.

When I went down the line and was able to Xerox some copies of September 2, I would like you gentlemen to take time to read it, because not only does it tell the story of Georgia, but it tells it in Illinois, Indiana, Louisiana, Alabama, Florida, all around the Nation. These fellows met in Oklahoma City, county agents from around the country. I hope that you will take time to read this article and know that the story we have told you today is true.

It was an honor and pleasure of mine to have been here and for you to have taken the time to listen to it.

There is one gentleman who was not on the agenda—and, Senator, if you will let me have your agenda, please, sir, we have one other gentleman with us, Mr. Bob Fleming, from Hull County, Ga.

The CHAIRMAN. Hart County. H-A-R-T.

Mr. DUDLEY BRADLEY. Hart County, I am sorry.

Bob.

#### STATEMENT OF BOBBY FLEMING, FARMER, CANON, GA.

Mr. FLEMING. Senator Talmadge and you other gentlemen.

I do not think that I can say anything that these gentlemen have not already said. I think all of us are in the same situation.

As I say, I am from Hart County, Ga., and I farm with my father and my brother. We started farming about 5 years ago. We worked two jobs to get started farming. And we sort of look back now and wonder if we have done the right thing being farmers.

Have you ever had anything get in your blood and you could not quit? That is the sort of thing farming does to you.

We are not going to quit.

My father, brother, and I currently farm 1,000 acres of soybeans, of which none are irrigated and the entire crop, except for 20 acres, is on rented land. It is on rented land because we cannot buy land and pay for it farming.

We simply cannot cope with rising land prices, inflation, and declining commodity prices until before the drought. Fertilizer and chemicals cost is up 20 percent from last year; fuel is up 50 percent and in the last 5 years machinery prices have gone up 80 to 90 percent.

As I said, we farm 1,000 acres on which last year we averaged between 30 and 35 bushels per acre. We are currently facing a 10-bushel-per-acre yield this year and only then if it rains in the next week or two. It is the worst year that I can ever remember. And, from talking to the older people, it is one of the worst they can remember in some time—some say since 1925.

The bean crop is near disaster. The older beans are a little above knee high and have no pods. They should be shoulder high and loaded with pods. The younger beans range from ankle high to about the knees, but all have dead spots and few pods.

In our area the yield will be nothing like what is predicted for the State average. There has not been a growing season in the ground for 3 months. You have to dig 6 to 8 inches to find a little moisture. I would like to see a Government investigator come and look at our area and see what we are dealing with.

We need help. We do not need another loan. We have not gotten over the one from 1977 and 1978 yet. We cannot have payments on top of payments for loans and pay operating expenses and continue to farm. I am not asking for a handout, but I think soybeans should be a program crop just as corn or wheat is. I depend on beans as much as the fellow growing corn depends on his crop. But there is one difference: they get disaster payments and we do not.

I guess I am just like every other American farmer. I do not want to get rich. I would just like to make an honest living, build a house of my own, and raise a family—a farm family. But with declining farm prices, cost of inflation and now drought, it just about makes each of those impossible.

There is not a farmer in our area that does not worry about what we will do. Everyone thinks it is critical. What we would all like to see is someone from the Agriculture Department come see and talk to the farmers in our area and have a look at it first hand. Maybe they, or rather you, could see how badly we need help.

We, the farmers of Hart County, as well as the farmers of the whole country need some sort of help to survive. If we do not survive, the Nation as well as the world will be hurt. I know that the farmers only make up 3 percent of the voter population, but without us the other 97 percent will not be able to survive without extremely high prices.

In Sunday's Atlanta Journal there was an article on the effects on the Georgia economy from the drought of 1980. It expresses my feelings of the situation the farmers are in as well as the situation the consumers are going to be in. A copy of this article is attached for your reading and reference purposes.<sup>1</sup>

I know I am not much of a speaker. I am just a farmer, but I hope I have gotten my point across.

I will be happy to answer any questions you may have.

Thank you.

Mr. DUDLEY BRADLEY. Thank you, Bob.

Our last speaker is Robert Nash, president of the Georgia Farm Bureau.

#### STATEMENT OF ROBERT L. NASH, PRESIDENT, GEORGIA FARM BUREAU FEDERATION, MACON, GA.

Mr. NASH. Mr. Chairman and members of the committee, Deputy Secretary of Agriculture, Mr. Williams, Congressman Ginn, and others: I am president of the Georgia Farm Bureau Federation and I am a farmer. I have been a farmer all of my life. I represent over 125,000 member families in the State of Georgia in this report.

I appreciate the opportunity to appear before you and express the views of the Georgia Farm Bureau and the farmers' view on the economic conditions of agriculture and the agribusiness complex in Georgia today.

I realize that you have heard the true story here today. Perhaps my remarks will be more of a summary of the conditions that we feel exist not only in Georgia but throughout the United States where the drought areas are this year.

So I will probably be repeating some of the things that have already been said in summary form. But I will try to go ahead and read my remarks and hope that they will be entered into the record for other committee people to see.

I know that you and the other members of the committee are aware of the crisis situation in Georgia and 18 other drought-stricken States.

The situation has become so serious that 153 of our 159 counties have already been declared a disaster area. And this is not only in Bulloch County, the conditions that you have heard here today, they exist over the entire State of Georgia.

In 1978—the 1977 and 1978 drought conditions brought about a need for assistance for the farmer in order for him to meet his

<sup>1</sup> See p. 105 for a reprint of the article from the Atlanta Journal.

financial obligations. This assistance was given to many by FmHA loans while others received extensions of loans and additional loans from conventional sources. I am a recipient of some of those loans myself in order to keep my farming operation going.

In either case, the farmer has used up most of his remaining equity and security for these loans. These borrowed funds were used to pay off debts accumulated from crop production costs. The funds were used to pay the agribusiness complex—bankers, fertilizer and seed dealers, equipment and operating costs. The farmer assumed an additional debt that furnished the funds to keep the normal flow of economy in the community.

In 1979, there was an average crop production for most farmers, but the marketplace did not return enough profit to pay their debts. The effect of the embargo, from overproduction and reserves have controlled the markets.

Uncontrolled inflation, manipulated high interest rates by the Federal Reserve Board and the Government overspending of non-productive enterprises has caused higher cost of production to the farmer.

The farmer is in a unique position. He must operate his activities in a businesslike manner; yet, he is subject to uncontrollable weather conditions and production costs.

The drought in 1980 has brought the farmer to the point of no return. They must take bankruptcy, be foreclosed, or seek some way to continue farming until the profits in the marketplace will allow them to meet their financial obligations. Foreclosure and bankruptcy will perhaps be the easiest way out because the road ahead will be difficult, to say the least.

It is essential to the State of Georgia and this Nation that the agricultural industry be kept in a financially sound state. This industry is the only one with a renewable source of wealth to America. Without its productivity, the economy of this great Nation will be destroyed from within.

The citizens of the United States and the world are dependent on the American farmer for their future.

The Senate Agriculture Committee, with its outstanding leadership, is largely responsible for determining the future of American agriculture and the economy of this Nation.

We ask that you take immediate action to seek funds to set aside regulations to assure that every responsible farmer may continue to produce food and fiber. We cannot afford to start anew with inexperienced farmers and foreign landowners attempting to produce America's wealth. We must change Government regulations that would prevent farmers from surviving this unprecedented crisis that they are experiencing this year.

I would like to suggest to the committee several points that we feel are essential to agricultural survival. We ask that you urge President Carter, Secretary Bergland, and agency directors to supply sufficient funds that are necessary to aid in this financial crisis for farmers.

We believe that it will be necessary for the Office of Management and Budget to give FmHA and SBA the authority to hire additional personnel to service all existing loans and insist that

new personnel be provided to handle any new programs, such as the gasohol and energy programs.

We urge that FmHA and SBA review all existing loans on an individual basis immediately and indicate to the borrower their ability to extend or reamortize their loans.

We ask FmHA and SBA to refrain from requiring updating of loans and requesting farmers to relocate his loan at the present time.

We do not believe that disaster loans should be updated to other lending sources. We ask that FmHA and SBA be authorized, according to the regulations, to subordinate all loans to private financial institutions where operating capital is being provided.

We ask that you urge that the a new farm credit bill, H.R. 7548, be passed immediately in order that the new regulations in this bill can be made effective concerning subordination of loans enhancing their ability to cooperate on guaranteed loans.

We urge the support of this committee in asking that the Federal Reserve Bank Board issue new regulations for their bank examiners in regard to classifying loans where failure to make payment has been due to drought disaster conditions.

We ask legislative support for amending any regulations under ASCS while allowing payments on all crops or all commodities where disasters have occurred and not restrict these to those under the program. These payments would cover the entire disaster loss on all farm commodities retroactive to 1980 crops. The reason why we say retroactive is we do not feel that legislation is as necessary to do this that it can be done before Congress adjourns up here this year.

We urge ASCS officials to raise disaster loss payments on all farm commodities equal to the average production income or the average cost of production.

We urge the soil and water conservation program on a long-term basis to plant marginal farmland in soil conserving crops with a year-to-year payment for a 10-year period in order to help replenish the water, soil, and air quality. This will also take this marginal area land out of production of commodities and hence prevent the overproduction but will also stop farmers from losing more money on that type of land. Also to reinstate the ACP payments for farm ponds for irrigation purposes.

We urge Congress to complete action on the multiperil Federal crop insurance program in time for the 1981 crop year.

We realize that many of these points will require cooperation from other Government officials, but we urge that they be accomplished if we are to remain an economical, stable agricultural industry. We feel that this crisis is more urgent than the Cuban refugees or that of the food crisis in Poland.

The farmers believe that if their Government can grant economic aid in those conditions then, surely, it must be possible to grant economic aid in this crisis.

We appreciate your concern and ask for your support.

I appreciate the opportunity to come and testify before this committee. If there are any questions I can answer, I will be glad to do so.

Thank you, Senator.

The CHAIRMAN. Thank you very much, gentlemen.

I want to thank Bob Nash, Dudley Bradley, Sr., and all of you gentlemen who came up from adjoining counties to Washington at your own expense and making the record clear to the highest officials in our Government of the economic extremity that the farmers in Georgia have to face at the present time. I do not think it is limited to Georgia farmers exclusively because this drought has affected other areas also. Georgia has been particularly hard-hit because we have had every area of our State suffer disaster. Three disasters out of the past 4 years and many of them 4 out of 4. I frequently wonder how you have managed to hold on. It is attributable to your dedication to agricultural ideals, perseverance, hard work, cooperation with Federal agencies and your local banks.

I also want to thank Secretary Williams, Secretary Mercure, the SBA people and others here from the Government for coming and listening to this today. I feel that this is a fair explanation of the problems that many in American agriculture face today. First and foremost, of course, is money. If you do not have anything to sell, there is no income. You will not be able to pay obligations to the local bankers; you will not be able to pay your obligations to the Federal agencies that have extended emergency credit, and you are going to need additional funds, those of you who stay in business, to plant another crop next year.

It has been pointed out, even under the best of conditions, it is difficult, if not impossible, to continue to survive with very high interest rates of 15 percent. We had one witness I think paying 23 percent. During the early part of the year that is what General Motors paid—not you, but General Motors. It was 20 percent at that time.

You have pointed out that one of the grave needs you have is long-term capital at low interest rates for the purpose of providing irrigation equipment and storage facilities.

Finally, and equally important, of course, even under ideal conditions you cannot continue to survive unless your income exceeds your outgo.

All of these problems confront farmers not only in Bulloch County and southeast Georgia today but in all of our State and a substantial portion of our Nation.

Secretary Williams, we would like to hear from you and your associates. What can you do to help these fellows?

**STATEMENT OF HON. JAMES H. WILLIAMS, DEPUTY SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY ALEX P. MERCURE AND HOWARD W. HJORT**

Mr. WILLIAMS. Mr. Chairman, I appreciate the opportunity to be here and hear from each of you. Obviously, I do not know every one of you and I do not know your circumstances. I lived in Tallahassee in the general area of northwest Florida and southwest Georgia, for 4 years, until 1979, and I witnessed what was happening in the farming community in those two States.

The distinction I think between Georgia and the rest of the Nation is that you have, in fact, had in 3 years out of 4, or, in some instances, 4 years out of 4, disasters in a row. That has not been the case across all of America.

Texas, as you will see when you read Mr. Mercure's statement, is the only State of the Union that has had more assistance so far as loans, disaster payments, emergency and economic loans than Georgia. By some \$50 million Texas has exceeded Georgia.

Georgia has been at the heart of the major economic activity that we have had in the Farmers Home Administration.

I was particularly pleased that some people came here today beside just farmers—people representing the equipment manufacturers, fertilizer dealers, and bankers—because one of the keys to how well we deal with the particular plight of the individuals who are here this morning is to review the individual case, the case history on each of those farmers.

The man who produced 35 bushels of soybeans is to be commended in 1 of 4 years, because a large part of the soybean section in the southern part of Georgia and northwest Florida has never achieved 35 bushels in the best year it has ever had.

But that is one of the problems that we have to deal with. We cannot build, in my opinion, a lasting kind of program for all of us unless we can first deal with the immediate problem and that is keeping the farmers in business this next year.

I do not know what the farm bill will be like. This kind of testimony certainly has had a profound impact on me. It has also, I am sure, an impact on the other members of Government, including SBA. Prices do have to exceed cost of production or nobody stays in business for long. But you people that are the creditors of these farmers also have a responsibility to review next year's operating loans.

We can deal under present law with a deferral of the principal and interest on a loan you presently have. But if we are going to make an operating loan, it is going to require the signoff of your other creditors that if we are going to see to it that operating money is provided through some agencies of Government that those in the private sector also do not foreclose during that crop year, so that we have the assurance through their signoff that you are going to be able to plant and make that crop.

Above all, we have to hope that the weather is going to improve. Certainly it has been a disaster, we recognize.

I was in Georgia last week, with the ASCS, the State men and women. I will be in Winder, Ga. next week and 2 weeks after that I will be with the Agriculture Council of Georgia and make a keynote address about the bright horizon in the Sun States. I must tell you it is a little difficult to be given that topic when you come to the agribusiness community and talk about how wonderful it is to be a native of a Sun State. I am a native Floridian. I am a farmer and I am not like most of you. I have just finished borrowing enough money to pay my income taxes this year. It is the biggest return I have ever had in the citrus business.

I thanked the chairman and the committee when I came here in January 1979. By the time I was confirmed in March, I had been forced under the ethics legislation that if I was to participate in feed grain decisions, I could not own any beef cattle. So that legislation forced me to sell cattle at the highest prices of my lifetime. I am grateful for that. [Laughter.]

Fortunately, I had the wisdom not to sell my orange groves and excused myself from making any decisions that affect citrus. We make them in the Department and that was easy to do, but thank God for the freeze of 1977, which made my crop worth some money, because I was fixing to have to sell citrus at a low cost because we had an overabundance of that particular crop.

I know a little about farming. I am not the kind of row crop farmer that Secretary Bergland is. He is the first Agriculture Secretary in modern times who has been a farmer when he was also a Congressman and appointed to be the Cabinet-level Secretary of the Department.

We are going to go far and wide and elicit all the testimony we can get about trying to recommend to the Congress for their consideration a 1981 farm bill that we can all live with on the long term. We are going to continue to stress export trade.

I have to tell you that we have just finished the 11th straight year in which export trade has exceeded the prior year in each of those 11. And this year is the biggest single increase we have ever had both in tonnage and in value. And we will, by October 1, achieve close to \$40 billion in agricultural export trade.

In spite of all the bad press we have received about farm prices and the embargo, we will ship precisely what we thought we would in feed grains in export trade this year, 2,390 billion bushels of corn, which is what we estimated last October. That is what we are going to achieve by October 1 of this year, without the Russians.

Then, finally, Senator, I do not like to do this, but I have to close on a personal note. It is high time that the American people get in control of their own destiny on their cost of energy. There have been some gutty decisions made here. The Congress has taken the initiative and we will be very much involved in renewable energy resources—the production of alcohol, solar energy, timber products, hardwood, and the conversion of all of those to some sort of viable gas and liquid petroleum.

We have, in fact, waited far too long to deal with our energy problems. We must deal with them.

I resent the fact that we had to take action—economic action against the Russians, but I also am the father of a 22-year-old son who has no business fighting a war in the Middle East over somebody else's natural resources. It is high time that we do deregulate energy in this country and that we allow the price to be an incentive, to be self-sufficient once again in energy, not more dependent.

Until we can figure a better way to deal with the Russians, I will support economic sanctions against them if they choose to take the resources which denies the free world of the oil at this point in time that we are too heavily dependent on. And I will make a personal commitment to do all in my power to see that we, in fact, use less and produce more.

Senator, I have not taken the comments that were made here lightly. I appreciate the comments that came. I would like to avail myself of the expertise of the CPA and to review the income tax returns. The hardest problem that I have ever seen to deal with is how do you design a farm program which is fair and equitable to every producer of every commodity in this country, when no two have the same costs, including land and what the rent is and what

the amortization of debt is, and what are their costs of their total operation. It is not an easy task.

But I assure you that I will avail myself of the opportunity so that I might learn a little more about the diversity of the farmers we are trying to serve.

Thank you.

The CHAIRMAN. Thank you.

Dr. Hjort, do you have anything to add to that?

Dr. HJORT. I really do not, Mr. Chairman, except to say that I appreciate having the opportunity to be here this morning and to listen to the testimony of the people from Georgia. And it is one of the more difficult things that anyone in a position here to find the time to get out in the country and have the opportunity talk directly with people. It is always an extremely valuable experience. And this one has been very much so.

Thank you.

The CHAIRMAN. Mr. Mercure?

Mr. MERCURE. Mr. Chairman, I am seldom at a loss of words. Three and a half years ago I came before you for confirmation. In that 3½ years, Farmers Home Administration has loaned as much to farmers as it had in its previous history with your kind of support.

It is little consolation to farmers and, frankly, let me assure you, it is little consolation to us who have to manage the program to have to consider moratoriums, deferrals, and rollovers and all kinds of other things that we have to work with the bankers. We really would just as soon prefer to be able to brag about our low delinquency rate and low default potential. Right?

The CHAIRMAN. Yes.

Mr. MERCURE. Unfortunately, the weather has not been terribly cooperative. But, with regard to some of the comments that were made here, the President has instructed us to make sure that we have programs and that we institute those programs to the maximum authority that we have got to make sure that we overcome this weather crisis. Whatever assurance that is, on the credit side at least, the Secretary and the Deputy have been pressing us very hard to make sure that we are ready when the credit needs materialize.

In the best of circumstances, there are going to be problems. For that I want to apologize in advance. We have been working together with SBA and have had a number of meetings to try to make sure that the resources are available when they are needed. And, for whatever it means, Mr. Chairman, we want to assure you and the people who are here that we are going to do everything in our power to make sure that we respond.

The Senate and the Congress have given us authority that we need to do the job, and we will try to do the best job possible.

The CHAIRMAN. You have all the authority you need now on these rollovers?

Mr. MERCURE. Yes, sir, I believe we have.

The CHAIRMAN. Have you all the money you need?

Mr. MERCURE. Well, fortunately, for Farmers Home Administration, you have given us the kind of authority that says we can tap

the Treasury fairly extensively. But SBA is in the process of preparing their resources as well for their responsibilities.

The CHAIRMAN. All right Let us hear from SBA.

Mr. Moore, we appreciate your coming.

Mr. MOORE. Most of the loans of Farmers Home Administration occurred after July 3, the bill having been signed on July 2. SBA, however, will remain in administration of our existing farm loans of about \$2.5 billion.

The memorandum of understanding that we are about to agree on with Farmers Home Administration, when an emergency declaration is made by Farmers Home, we will immediately notify our field offices of two situations: One, we will accept applications from Farmers Home for those farmers who are ineligible to apply, for whatever reason, with the Farmers Home Administration and two, we will provide EIDL assistance to nonfarm business that are economically injured by the incident.

The CHAIRMAN. One of the witnesses was kind enough to make reference to Clarence Barnes and Fred Reed of the Atlanta office. You do not often hear favorable comments about someone working for the Government.

I want to complement what the witness said also to speak kindly about Mr. Barnes and Mr. Reed. Our office has worked very closely with them and I know how diligently they did work in trying to make money available to agriculture and agribusiness during these times of great economic hardship. This was a new experience for SBA. They had not previously been involved in agricultural loans. Their expertise was limited to other matters. Of course, I have great sympathy with the Farmers Home Administration. Many witnesses here have complained about the long delay in processing loans and I share that. They are acutely short of personnel.

We have tried to get them to increase their personnel in Farmers Home Administration without success. We have added many new duties and responsibilities to them. Yet, you are operating I think with fewer personnel now than you formerly did. I know many of them have worked long hours as hard as they know how on some matters where they had limited expertise.

We particularly appreciate the Department sending in extra personnel from other sections of the country that were not hard hit. We hope that you will step that up and process these loans faster next time.

We have had witnesses here today who talked about some of the loans taking around 6 months. Farmers cannot wait 6 months to make a decision. It was pointed out here that a man wants to plant wheat next month. So he is going to have to have fast action if he needs money.

His landowners want to know whether or not they are going to rent the land next January. Farmers want to know whether they can rent it by next January. The bankers want to know whether or not somebody is going to assist them with the loans. We have a multiplicity of problems.

I think this hearing today has been extremely useful. I appreciate everyone's attendance here.

Dudley, before we adjourn—we are already running later than I had anticipated we would. I had a luncheon engagement 47 min-

utes ago. We have a conference on school nutrition beginning at 1:40. So, time is of the essence. Is there anything else you want to say?

Mr. DUDLEY BRADLEY. I just simply want to stand, sir, and tell you what a pleasure it is for you to have had us the First District farmers, agribusinessmen, and local bankers in Washington to listen to our problems.

The CHAIRMAN. It has not been a pleasure for me because it is a long sad story.

Mr. DUDLEY BRADLEY. Let me say it is a pleasure and an honor to have the privilege to stand here and to address Secretary Williams, Mr. Mercure, and the other gentlemen who have been here. And I believe if there has ever been a time in the history of our Nation that we have come to Washington to tell you a story from our hearts, this is it.

The CHAIRMAN. We appreciate your coming. I can tell it was from the heart. I know farmers. I was born and reared on a farm. I live on a farm by choice now, but, fortunately, I still do not farm very much. [Laughter.] I am like Secretary Williams, I was not foreclosed on but when I found I was selling a lot of stuff for less than it was costing me to produce it, I started planting pine trees 29 years ago, and I have been planting them since. I have wrapped up all of my land in trees I have a long sad story to tell too. The Japanese beetles infested my land and destroyed thousands and thousands of dollars' worth of timber, and what the beetles did not get, the tax collectors are after.

Just south of Atlanta we went through a real estate speculative period a few years ago when one syndicate would bid up the value of the land a little higher than another syndicate. They expected to sell it to a greater fool. I think the tax collectors think I am going to put a bank on every acre of land I have. And you cannot build banks with hopeful returns from planting pine trees and only from 9 to 29 years of age, particularly when Japanese beetles attack them. So I have a sad story too. I might want to borrow some money, Alex.

Thank you very much.

The committee will stand adjourned.

[Whereupon, the committee adjourned, subject to call of the Chair.]

## APPENDIX

### STATEMENT OF HON. ALEX P. MERCURE, ASSISTANT SECRETARY FOR RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, we very much appreciate the opportunity to meet with you and your Committee to discuss the operation of our credit programs, and in particular those credit programs designed to deal with the current problems of drought and crop loss. I am accompanied by Deputy Secretary Jim Williams and by Howard Hjort, Director of Economics, Policy Analysis and Budget.

With your permission, Mr. Chairman, we want to make available the attached update of our reports on the effects of the current drought. That series was begun last summer at your request. It brings together the latest information we have on crop conditions in general, on pasture and range conditions, and on the outlook for the next crop season at this time.

I also have a number of copies of the Crop Production Report that was released Thursday, September 11.

We have three purposes here today. The first is to bring you information about the severity of the drought, and to answer your questions if possible, about its current and future impacts as we now see them. The second is to describe very briefly the general situation with regard to the availability of credit for farm and agricultural operations. The third is to describe, and to discuss with you our programs of credit and how we expect that they will operate to meet this current situation.

#### FARM INCOME AND FINANCIAL CONDITIONS

A classic paradox of farming is that when farmers face the best prices they have the worst crops and the least to sell, the last half of 1980 was marked by strengthening crop and livestock prices, partly caused by strengthening demand, but partly by the impact of the drought on farm production.

Drought-reduced production of feed grains, oilseeds, and cotton has prompted sharp price increases for these crops in July and August. Livestock and poultry prices also rose sharply in midsummer as meat production began to slip below first half record levels in response to financial losses earlier in the year.

Recent crop and livestock price increases have improved the income outlook for 1980 compared with forecasts earlier in the year. Total cash receipts during the second half of 1980 are currently expected to be 6 to 8 percent higher than last year with a 2 to 4 percent increase in livestock receipts and a 10 to 12 percent rise in receipts to crop producers. These are seasonally adjusted annual rates and are somewhat lower than the unadjusted levels we are projecting. Much of the impact on farm income from this summer's hot dry weather, however, will not be felt until 1981, when reduced stocks and continued strong demand will result in substantially higher farm income.

Although the overall farm income picture has improved somewhat, such gains are rarely shared uniformly. In general, livestock and poultry producers will not fare as well as crop producers this year. Cash receipts to milk producers are expected to be up a tenth in 1980, but receipts to cattle, hog, and poultry producers will be reduced because of depressed prices early in the year and sharply rising feed costs in the second half of the year. Many livestock producers in the drought areas from Texas through the Southeastern states and north through Arkansas, Missouri, and to the Northern Great Plains have suffered losses from slower rates of gain, death loss, and range feed shortages as well as higher feed grain prices resulting from crop losses.

Some crop producers will benefit substantially this year from record large 1979 crops now being sold at prices above a year ago. Cash receipts for corn, cotton, tobacco, wheat, and rice could climb 15 percent or more from 1979 levels. Soybean receipts, however, may only rise slightly.

Higher prices will not offset the lower yields of those farmers in drought areas, however. As of September 1, corn and soybean yields per acre this year are expected to be down 16 percent from 1979. Cotton yields are expected to be down 23 percent.

Wheat yields, however, may be down only 4 percent as most of the wheat crop was harvested before the drought became severe. The September 11 Crop Production Report includes details of these forecasts.

Because of the drought, we expect there to be wider than normal differences in the income situation of crop producers by state and commodity produced. For example, estimates of per-acre corn yields in Missouri are only half of last year's level while yields in Michigan and Ohio are estimated to be better than 1979. Soybean yields in Missouri, Arkansas, Kansas, Georgia, and Mississippi are estimated to be reduced by more than a third from last year while yields in the northern and eastern Corn Belt are estimated to be almost as high as in 1979. Cotton producers in Texas, Louisiana, and Georgia may have yields reduced more than a third this year. The Crop Production Drought Reports have more specific details about these impacts.

On September 18, the Department will release a much more detailed Report on Farm Income for both 1979 and 1980. As a result, I will not go into further detail on farm income at this time.

#### CREDIT

Some of the areas affected most by the drought are also those that had serious credit problems this spring. Those problems caused many farmers to not increase debt as fast as they might have otherwise. Some of them may thus have avoided debt repayment problems which are now being caused by the drought. Across the Nation, farm credit availability is much less of a problem now than it was last spring:

Interest rates have declined dramatically from April peaks as shown in Table 1.

Credit is generally more available than it was in the spring. The national average loan-to-deposit ratio at agricultural banks has dropped to 62 percent from a high of 68 percent earlier this year. Higher interest rates reduced demand for loans and increased bank deposits. This decline is not consistent with past seasonal trends where loan-to-deposit ratios normally increase until late fall—after harvest.

Federal Reserve numbers indicate that several of the states that had the worst difficulties earlier this year—Minnesota, Iowa, North Dakota, South Dakota, Nebraska and Missouri—have had a significant increase in the availability of loans from commercial banks.

The Farm Credit System's loans reflect the improvement in commercial bank liquidity. Growth in new loans at Production Credit Associations was only 9.8 percent in September as opposed to over 25 percent earlier this year.

What happens to interest and credit this fall and winter depends basically upon general economic trends. We now expect a moderate increase of 2 to 3 percentage points through next spring. We do not see a repeat of last spring's very high rates and tight credit supplies.

And, we believe overall credit availability should be sufficient to meet farmers needs through next spring. Agricultural commercial banks in the states shown in table 2 are more liquid than they have been in 2 to 3 years. Life Insurance Companies have shown renewed interest in farm real estate loans. The growth of loans at the Farm Credit System has moderated, so that they are not overburdened. Commodity Credit Corporation loans will be available to more farmers this year since there were no set aside programs for 1980 crop wheat or feed grains and, as a result, all producers of those crops are eligible for loan and reserve programs. Also, loan rates for wheat, feed grains and soybeans were recently increased significantly.

#### EMERGENCY ASSISTANCE

The areas hit hard by drought contrast sharply to the income and credit conditions of farmers in general. As of September 12, 1,456 counties in 25 states were designated as drought emergency counties. Every county in the states of Alabama, Arkansas, Kentucky, Missouri, North Dakota, Oklahoma, and Tennessee is now eligible for USDA drought emergency aid as are 153 of the 159 counties in Georgia. I want to focus today on the programs available to help meet problems of drought.

USDA has 6 key disaster aid programs. They include the disaster payments program which makes direct payments to producers of feed grains, wheat, and cotton whose yields are damaged by weather; the federal crop insurance program; the emergency conservation program; the emergency livestock feed program; and the two emergency loan programs. It is too early in the harvest season for the disaster payments program to reflect the severity of the drought, however, payments of \$133 million have been made to more than 7,020 farms. The federal all-risk crop insurance program provides farmers insurance against crop losses. We estimate that about \$230 million will be paid in claims against 1980 crop losses. The federal

all-risk insurance program provides farmers insurance against crop losses. We estimate that about \$230 million will be paid in claims against 1980 crop losses.

The emergency conservation program and the emergency livestock feed programs are also available for specialized assistance. The Department has allocated \$24.8 million for conservation measures to overcome flood, tornado, volcanic ash and drought damage. An additional amount of about \$30 million will be used for emergency livestock feed, and the maximum assistance rate on that program was recently increased 50 percent to compensate for higher food prices.

In addition to these programs, there are emergency loans. Thus far in fiscal year 1980, the Farmers Home Administration has made over 95,000 emergency farm loans for about \$4.3 billion. Of this amount, \$2.2 billion was for disaster loans and \$2.1 billion for economic emergency loans.

You may be interested to know, Mr. Chairman, that Georgia farmers received 6,028 regular emergency loans for \$285.5 million and 1,056 economic emergency loans for \$63.1 million.

I want to go into the operation of our emergency loan programs in somewhat more detail. My purpose is to make the point that we have programs that will continue to provide important assistance to farmers who have lost income from the current, very serious drought situation. We now have new authority to refine our programs and we believe these authorities are adequate to do so. These programs will be far more effective in the future than they have been in the past.

#### EMERGENCY CREDIT PROGRAM OPERATIONS

Mr. Chairman, recently passed Public Law 96-302 made it clear that the Farmers Home Administration is to be the Government agency primarily responsible for disaster loan assistance for farmers. In recent years the Small Business Administration and the Farmers Home Administration have had somewhat overlapping responsibilities for this assistance.

Pursuant to the amendments embodied in that law, USDA and the Small Business Administration are developing a memorandum of understanding that outlines very closely the responsibilities of FmHA and SBA with regard to disaster loans. I have attached a copy of our current draft memorandum of understanding and a table that shows the program similarities and differences for our FmHA and SBA programs. The key point in this context is that in the future, established farmers, ranchers, and aquaculture operators, whether tenant operated or owner operated, will turn to FmHA for disaster loan assistance. Most other homeowners, businesses and nonprofit institutions will be eligible for physical disaster loan assistance from SBA.

However, the provisions of the new law and this agreement apply to disasters commencing on or after July 3, 1980. The current drought began before that time in most areas. As a result, we must deal with the current problems under the old program rules and not under the draft agreement I have just described.

This is a matter of some concern to both FmHA and SBA. It means that we cannot estimate with any certainty what our individual caseloads will be over the next several months. Frankly, we expect that many farmers eligible for Federal disaster loans will find it to their advantage to borrow from SBA rather than from FmHA.

Most farmers who cannot get credit elsewhere are eligible for either SBA or FmHA disaster loan assistance, if their loss began before July 3, 1980. For the amount of the actual loss, FmHA's rate of 5 percent is more favorable than the SBA 8 percent rate, that was in effect at the time the drought began and applies to SBA loans until the new rules go into effect. However, FmHA borrowers who need additional loan amounts for related purposes must pay about 13 percent. SBA's rate applies to both actual loss and additional amounts. For many farmers, the total interest paid for their total credit needs will be significantly less than SBA's program compared to terms and conditions now available from the Farmers Home Administration.

Until now, farmers who can get credit elsewhere have not been eligible for FmHA loans. As soon as Public Law 96-302 can be implemented, such farmers will be eligible for FmHA actual loss loans at a cost of money formula rate. Such applicants will not be served by SBA unless they are not eligible for assistance by FmHA.

We are taking another important step. We are mobilizing our staff resources to meet the expanded workload we expect from this situation. We are putting together teams of specialists to help us make the loans eligible farmers need.

State Directors are identifying knowledgeable, experienced loan specialists who know farmers and agricultural lending. We expect that many of these will be retired, former employees of Farmers Home Administration. This team will provide a cadre of qualified people to process and/or service emergency loans in areas that

suffers sudden, widespread disasters such as flooding, a hurricane or tornado. And it will also be available to help in the present and future drought emergency situation.

We intend to provide help to farmers whenever they are eligible. But we intend to provide it in such a manner that will result in financially stronger farms, not weaker farmers.

The Farmers Home Administration very carefully counsels its borrowers. Loan applications are reviewed on a case-by-case basis. If a farmer has a reasonable chance of making it, we will stay with the farmer even if all the farmer's payments cannot be met in a particular year. We have authority to do that, and we will use it. But, Farmers Home Administration will provide loans only where the assistance will improve and not aggravate the financial position of its clients.

It has been said that a loan well made is a loan half paid. That's sound philosophy, and I endorse it strongly.

Making critical case-by-case reviews and appraisals calls for a lot of talent, skill, tact and compassion on the part of the loan maker. We are extremely fortunate in having just such a cadre of people on the USDA payroll, working in over 1900 county offices across the land.

As you know, Mr. Chairman, your committee has provided authority to extend as much credit as is needed under the disaster emergency program. As with most good things, that program has been abused on occasion in the past. But a number of administrative changes have been adopted to prevent a recurrence and to ensure that loans go to those in actual need, and so that scarce manpower resources are not spent unnecessarily on those not in need and not qualified to borrow.

The economic emergency program, first enacted in 1978 and extended this year, has also played a part in meeting the credit needs of farmers subjected to damaging climate and market conditions beyond their control.

The provisions of the Economic Emergency Program, contained in Title II of the Agricultural Credit Act of 1978, authorized loans of up to \$400,000 in FmHA insured or guaranteed loans to permit a borrower to continue farming operations, pay certain installments of principal and interest due on real estate debt, refinance existing debts incurred from ongoing operations, change or reorganize farming operations so they will become economically viable, or pay operating expenses. EE funds also may be used to refinance certain debts, develop farmland and improve farm service buildings. However, EE funds may not be used to buy additional land.

Such loans are available to individual farmers and ranchers, and to corporations, partnerships and cooperatives. Preference is given to family farm operations—those in which the primary operation and management is done by the farm family.

In addition, FmHA has authority to consolidate, reschedule, or defer loans for operating purposes or for annual recurring expenses if necessary to help a farmer who has run into some problems getting back on an orderly repayment schedule. This will be a key provision in helping farmers overcome the ravages of drought and hot weather.

The USDA goal is to help farmers stay with their normal source of credit. We are encouraging the use of guaranteed loans. This will allow local lending institutions to participate in the total farm rehabilitation process. It makes it possible for rural bankers to tap outside, secondary markets through the sale of the guaranteed portion of the loan, and it expands the total credit resources available to other borrowers in the area.

We will continue to rely on close personal supervision and individual counseling of borrowers, and we are prepared, where in our judgment it would be helpful in the long run to defer installments on debt for up to three years, and to continue reamortizing loans up to the 40-year maximum term authorized, when real estate is available to secure such loans. We will do this when a careful individual review indicates that it will help the borrower get back on his feet. We believe this approach is superior to an across the board loan moratorium that would apply to farmers regardless of need and regardless of potential.

We are making one other significant change. This change has been suggested by a number of farmers, including some from your state, Mr. Chairman. Using existing authority, I have directed the Administrator of the Farmers Home Administration to more fully utilize the services of County Committees in making and servicing farm loans. FmHA County Committees presently determine applicants' eligibility for farm loans. In the future, we will use the expertise of these Committees at a much earlier stage in dealing with potential "problem" cases. Committees will make recommendations and certifications in connection with certain debt settlement and liquidation actions. Committees will also participate to a greater extent in advising on numerous other actions, including, servicing loans, handling delinquent problem cases, and recommending borrower graduation.

The experience and judgment of County Committeemen members are excellent resources have long contributed to the successful administration of FmHA farm loan programs. We intend to use these Committees more than we have in the past.

As I said, we do not need new legislative authority to provide the kind of assistance farmers need this year, nor do we need new legislative authority to hire the people we need to deal with the current problem. We do recognize that the increased caseload we now expect will increase our need for staff in the future to service these loans. We will continue to evaluate that need in the course of future requests for salary and expense funds and for staff positions.

Mr. Chairman, this concludes my statement. I'll be glad to respond if there are any questions.

TABLE 1.—AGRICULTURAL INTEREST RATES

|                                                      | [In percent]       |         |        |                    |                   |
|------------------------------------------------------|--------------------|---------|--------|--------------------|-------------------|
|                                                      | 1979 3d<br>quarter | 1980    |        |                    |                   |
|                                                      |                    | January | April  | July               | September 4       |
| Bank prime rate.....                                 | 11.75              | 15.25   | 20     | 11.5               | 11.5              |
| Feeder cattle loans <sup>1</sup> .....               | 10.8               | 13.5    | 17     | 14                 | ( <sup>5</sup> )  |
| All banks <sup>2</sup> .....                         | 11.3               | 14.1    | 17.4   | ( <sup>5</sup> )   | ( <sup>5</sup> )  |
| Production credit association <sup>3</sup> .....     | 10.8               | 12.1    | 13.6   | <sup>4</sup> 13.25 | <sup>4</sup> 12.4 |
| Federal land banks <sup>3</sup> .....                | 9.3                | 9.8     | 10.7   | 10.6               | 10.4              |
| Farm credit system—cost of bonds (most recent sale): |                    |         |        |                    |                   |
| Federal international credit bank.....               | 10.3               | 12.8    | 17.2   | 8.3                | 9.1               |
| Federal land bank.....                               | 10.4               | 12.6    | 17.2   | 8.7                | 9.1               |
| FmHA operating loans.....                            | 9.5                | 10.5    | 11     | 10.5               | 10.5              |
| FmHA farm ownership loans.....                       | 9                  | 10      | 11     | 11                 | 11                |
| FmHA emergency loans for natural disasters.....      | 5                  | 5       | 5      | 5                  | 5                 |
| FmHA economic emergency (short term production)..... | 9.5                | 10.5    | 12     | 11.5               | 11.5              |
| CCC commodity loans:                                 |                    |         |        |                    |                   |
| 1979 crop.....                                       | 9                  | 9       | 9      | 13                 | 13                |
| 1980 crop.....                                       |                    |         |        | 11.5               | 11.5              |
| CCC export credit sales:                             |                    |         |        |                    |                   |
| United States.....                                   | 11.5               | 15.75   | 20     | 12.5               | 12                |
| Foreign.....                                         | 12.5               | 15.88   | 20.125 | 12.625             | 12.25             |

<sup>1</sup> Seventh Federal Reserve District—average of typical rates at agricultural banks, first day of quarter. Source: Agricultural Finance Databook, Board of Governors of the Federal Reserve System.

<sup>2</sup> Nonreal estate farm loans, first full business week of second month of quarter. Source: Agricultural Finance Databook, Board of Governors of the Federal Reserve System.

<sup>3</sup> Rates exclude some borrowing costs.

<sup>4</sup> Economics, Statistics, and Cooperatives Service estimate based on Farm Credit Administration monthly data.

<sup>5</sup> Not available.

TABLE 2.—ESTIMATES FROM LOAN-DEPOSIT PROJECTION PROJECT, E. MELICHAIR, AUG. 25, 1980—AGRICULTURAL INSURED COMMERCIAL BANKS<sup>1</sup>  
 [Loan/deposit ratio in percent]

|                    | Corn Belt |         |          |      |          | Lake States |           |           |              |              | Plains   |        |          |       |            | Mountain States |         |         |  |  |
|--------------------|-----------|---------|----------|------|----------|-------------|-----------|-----------|--------------|--------------|----------|--------|----------|-------|------------|-----------------|---------|---------|--|--|
|                    | Ohio      | Indiana | Illinois | Iowa | Missouri | Michigan    | Wisconsin | Minnesota | North Dakota | South Dakota | Nebraska | Kansas | Oklahoma | Texas | New Mexico | Colorado        | Wyoming | Montana |  |  |
| Dec. 31, 1969..... | 54        | 50      | 48       | 56   | 50       | 63          | 54        | 54        | 52           | 56           | 55       | 52     | 51       | 52    | 57         | 62              | 53      | 53      |  |  |
| June 30, 1970..... | 58        | 53      | 49       | 59   | 56       | 64          | 55        | 59        | 54           | 62           | 61       | 55     | 51       | 56    | 62         | 66              | 61      | 60      |  |  |
| Dec. 31, 1970..... | 55        | 51      | 48       | 58   | 51       | 62          | 54        | 54        | 59           | 54           | 57       | 53     | 51       | 50    | 56         | 62              | 58      | 53      |  |  |
| June 30, 1971..... | 57        | 53      | 48       | 59   | 54       | 63          | 55        | 57        | 56           | 60           | 61       | 53     | 50       | 53    | 61         | 63              | 63      | 60      |  |  |
| Dec. 31, 1971..... | 55        | 50      | 47       | 58   | 48       | 63          | 55        | 54        | 49           | 56           | 59       | 52     | 51       | 51    | 58         | 60              | 57      | 51      |  |  |
| June 30, 1972..... | 57        | 50      | 48       | 59   | 53       | 65          | 57        | 57        | 55           | 60           | 62       | 54     | 51       | 54    | 64         | 65              | 62      | 58      |  |  |
| Dec. 31, 1972..... | 54        | 50      | 45       | 56   | 50       | 64          | 57        | 52        | 48           | 56           | 59       | 53     | 53       | 53    | 62         | 60              | 56      | 50      |  |  |
| June 30, 1973..... | 56        | 51      | 45       | 57   | 54       | 66          | 59        | 55        | 52           | 59           | 65       | 53     | 56       | 56    | 66         | 64              | 64      | 56      |  |  |
| Dec. 31, 1973..... | 56        | 50      | 46       | 57   | 52       | 66          | 58        | 53        | 49           | 59           | 60       | 52     | 54       | 51    | 65         | 59              | 59      | 55      |  |  |
| June 30, 1974..... | 60        | 52      | 48       | 57   | 57       | 68          | 60        | 54        | 50           | 62           | 60       | 54     | 54       | 54    | 69         | 65              | 66      | 60      |  |  |
| Dec. 31, 1974..... | 58        | 53      | 49       | 55   | 53       | 66          | 62        | 55        | 54           | 59           | 57       | 53     | 54       | 53    | 65         | 60              | 60      | 59      |  |  |
| June 30, 1975..... | 60        | 55      | 49       | 56   | 55       | 66          | 60        | 57        | 54           | 59           | 58       | 55     | 52       | 52    | 65         | 62              | 63      | 61      |  |  |
| Dec. 31, 1975..... | 58        | 54      | 50       | 57   | 52       | 67          | 60        | 58        | 57           | 60           | 59       | 56     | 60       | 56    | 61         | 63              | 59      | 58      |  |  |
| June 30, 1976..... | 62        | 56      | 52       | 60   | 56       | 67          | 62        | 61        | 60           | 60           | 64       | 60     | 56       | 54    | 64         | 68              | 66      | 66      |  |  |
| Dec. 31, 1976..... | 60        | 56      | 54       | 62   | 56       | 68          | 62        | 60        | 62           | 62           | 66       | 62     | 57       | 54    | 71         | 66              | 65      | 65      |  |  |
| June 30, 1977..... | 66        | 61      | 57       | 66   | 61       | 71          | 67        | 64        | 65           | 67           | 72       | 64     | 58       | 59    | 64         | 71              | 66      | 63      |  |  |
| Dec. 31, 1977..... | 65        | 61      | 59       | 66   | 58       | 68          | 66        | 62        | 60           | 65           | 66       | 62     | 59       | 56    | 62         | 68              | 61      | 61      |  |  |
| June 30, 1978..... | 68        | 64      | 61       | 66   | 62       | 70          | 70        | 65        | 61           | 67           | 66       | 64     | 59       | 60    | 63         | 72              | 63      | 65      |  |  |
| Dec. 31, 1978..... | 67        | 65      | 64       | 67   | 62       | 71          | 70        | 65        | 61           | 68           | 65       | 64     | 61       | 60    | 64         | 71              | 62      | 62      |  |  |
| June 30, 1979..... | 69        | 67      | 64       | 70   | 66       | 71          | 72        | 70        | 68           | 73           | 69       | 65     | 60       | 59    | 63         | 76              | 71      | 70      |  |  |
| Jan. 2, 1980.....  | 66        | 65      | 61       | 68   | 63       | 70          | 69        | 69        | 64           | 69           | 69       | 62     | 57       | 53    | 61         | 71              | 62      | 64      |  |  |
| Jan. 9, 1980.....  | 66        | 65      | 61       | 69   | 65       | 69          | 70        | 71        | 65           | 70           | 71       | 63     | 58       | 58    | 60         | 74              | 63      | 65      |  |  |
| Jan. 16, 1980..... | 67        | 65      | 61       | 69   | 65       | 70          | 70        | 72        | 67           | 72           | 71       | 64     | 59       | 53    | 60         | 75              | 65      | 66      |  |  |
| Jan. 23, 1980..... | 68        | 66      | 61       | 70   | 66       | 71          | 71        | 73        | 67           | 72           | 71       | 64     | 59       | 53    | 61         | 74              | 66      | 66      |  |  |
| Jan. 30, 1980..... | 68        | 66      | 62       | 70   | 66       | 71          | 71        | 70        | 66           | 71           | 70       | 62     | 58       | 52    | 60         | 73              | 65      | 65      |  |  |
| Feb. 6, 1980.....  | 67        | 65      | 61       | 69   | 65       | 69          | 70        | 71        | 66           | 71           | 70       | 63     | 58       | 53    | 60         | 74              | 65      | 66      |  |  |
| Feb. 13, 1980..... | 67        | 65      | 60       | 69   | 65       | 69          | 71        | 71        | 66           | 71           | 70       | 62     | 58       | 52    | 60         | 73              | 65      | 66      |  |  |
| Feb. 20, 1980..... | 66        | 65      | 60       | 68   | 64       | 69          | 69        | 71        | 66           | 71           | 70       | 63     | 58       | 52    | 60         | 74              | 66      | 66      |  |  |
| Feb. 27, 1980..... | 67        | 66      | 61       | 70   | 66       | 69          | 69        | 71        | 66           | 71           | 70       | 63     | 59       | 53    | 61         | 74              | 66      | 66      |  |  |
| Mar. 5, 1980.....  | 66        | 65      | 60       | 68   | 64       | 69          | 68        | 70        | 65           | 70           | 69       | 62     | 58       | 52    | 60         | 73              | 65      | 65      |  |  |
| Mar. 12, 1980..... | 67        | 65      | 61       | 70   | 66       | 69          | 69        | 72        | 65           | 70           | 70       | 63     | 59       | 53    | 60         | 72              | 66      | 66      |  |  |
| Mar. 19, 1980..... | 67        | 65      | 61       | 70   | 66       | 69          | 70        | 71        | 66           | 70           | 71       | 64     | 59       | 54    | 61         | 74              | 74      | 66      |  |  |

TABLE 2.—ESTIMATES FROM LOAN-DEPOSIT PROJECTION PROJECT, E. MELICHAR, AUG. 25, 1980—AGRICULTURAL INSURED COMMERCIAL BANKS<sup>1</sup>—Continued  
 [Loan/deposit ratio in percent]

|                    | Corn Belt |         |          |      |          | Lake States |           |           |              |              | Plains   |        |          |       |            | Mountain States |         |         |  |
|--------------------|-----------|---------|----------|------|----------|-------------|-----------|-----------|--------------|--------------|----------|--------|----------|-------|------------|-----------------|---------|---------|--|
|                    | Ohio      | Indiana | Illinois | Iowa | Missouri | Michigan    | Wisconsin | Minnesota | North Dakota | South Dakota | Nebraska | Kansas | Oklahoma | Texas | New Mexico | Colorado        | Wyoming | Montana |  |
| Mar. 26, 1980..... | 67        | 65      | 61       | 70   | 66       | 70          | 71        | 72        | 66           | 71           | 71       | 64     | 59       | 54    | 61         | 75              | 66      | 67      |  |
| Apr. 2, 1980.....  | 66        | 64      | 60       | 68   | 65       | 69          | 70        | 71        | 66           | 70           | 70       | 63     | 58       | 53    | 59         | 73              | 66      | 66      |  |
| Apr. 9, 1980.....  | 66        | 64      | 60       | 68   | 64       | 68          | 69        | 71        | 65           | 70           | 70       | 63     | 58       | 53    | 59         | 73              | 66      | 65      |  |
| Apr. 16, 1980..... | 66        | 64      | 60       | 67   | 64       | 68          | 70        | 71        | 66           | 70           | 69       | 63     | 59       | 53    | 59         | 73              | 66      | 66      |  |
| Apr. 23, 1980..... | 66        | 64      | 60       | 68   | 65       | 69          | 70        | 71        | 66           | 70           | 70       | 63     | 59       | 55    | 60         | 74              | 66      | 66      |  |
| Apr. 30, 1980..... | 66        | 64      | 60       | 68   | 65       | 68          | 70        | 71        | 65           | 69           | 69       | 63     | 58       | 54    | 60         | 74              | 66      | 66      |  |
| May 7, 1980.....   | 66        | 64      | 60       | 67   | 64       | 67          | 70        | 70        | 65           | 69           | 69       | 63     | 58       | 54    | 60         | 74              | 65      | 65      |  |
| May 14, 1980.....  | 66        | 64      | 60       | 67   | 64       | 68          | 70        | 70        | 65           | 68           | 69       | 63     | 58       | 55    | 60         | 74              | 65      | 65      |  |
| May 21, 1980.....  | 65        | 64      | 59       | 66   | 64       | 68          | 69        | 70        | 64           | 67           | 68       | 62     | 57       | 55    | 60         | 74              | 65      | 65      |  |
| May 28, 1980.....  | 65        | 64      | 59       | 66   | 64       | 68          | 69        | 70        | 64           | 67           | 68       | 62     | 57       | 54    | 59         | 74              | 64      | 64      |  |
| June 4, 1980.....  | 65        | 63      | 59       | 66   | 63       | 66          | 69        | 69        | 63           | 66           | 68       | 62     | 57       | 54    | 60         | 74              | 64      | 64      |  |
| June 11, 1980..... | 65        | 63      | 59       | 66   | 63       | 67          | 69        | 69        | 64           | 67           | 69       | 62     | 57       | 55    | 60         | 75              | 64      | 65      |  |
| June 18, 1980..... | 65        | 63      | 59       | 66   | 63       | 67          | 69        | 69        | 64           | 67           | 69       | 62     | 57       | 55    | 60         | 75              | 64      | 65      |  |
| June 25, 1980..... | 65        | 64      | 59       | 67   | 64       | 68          | 69        | 69        | 64           | 67           | 68       | 61     | 56       | 56    | 61         | 76              | 65      | 65      |  |
| July 2, 1980.....  | 65        | 62      | 54       | 66   | 63       | 67          | 69        | 69        | 64           | 67           | 68       | 61     | 56       | 55    | 60         | 74              | 64      | 65      |  |
| July 9, 1980.....  | 65        | 62      | 58       | 65   | 62       | 67          | 68        | 68        | 63           | 66           | 69       | 60     | 56       | 54    | 59         | 74              | 64      | 64      |  |
| July 16, 1980..... | 65        | 63      | 58       | 65   | 62       | 67          | 78        | 67        | 63           | 66           | 68       | 60     | 55       | 55    | 59         | 74              | 64      | 64      |  |
| July 23, 1980..... | 65        | 63      | 58       | 65   | 62       | 67          | 79        | 67        | 64           | 67           | 68       | 60     | 56       | 55    | 60         | 75              | 64      | 65      |  |
| July 30, 1980..... | 65        | 63      | 58       | 65   | 63       | 68          | 74        | 67        | 64           | 67           | 68       | 60     | 56       | 56    | 59         | 74              | 65      | 65      |  |
| Aug. 6, 1980.....  | 64        | 63      | 57       | 64   | 61       | 60          | 68        | 68        | 63           | 66           | 67       | 59     | 55       | 55    | 59         | 73              | 65      | 64      |  |

<sup>1</sup> Banks in which farm loans represent 25 percent or more of total loans (15 percent in Michigan).

TABLE 3.—FARMERS HOME ADMINISTRATION ECONOMIC EMERGENCY LOAN PROGRAM ALLOCATIONS FOR 1980

| State              | Amount       | State               | Amount       |
|--------------------|--------------|---------------------|--------------|
| Alabama.....       | \$17,032,000 | Nebraska.....       | \$84,230,000 |
| Alaska.....        | 330,000      | Nevada.....         | 2,356,000    |
| Arizona.....       | 5,413,000    | New Hampshire.....  | 379,000      |
| Arkansas.....      | 36,035,000   | New Jersey.....     | 1,774,000    |
| California.....    | 29,340,000   | New Mexico.....     | 9,285,000    |
| Colorado.....      | 18,103,000   | New York.....       | 24,860,000   |
| Connecticut.....   | 3,102,000    | North Carolina..... | 35,768,000   |
| Delaware.....      | 1,210,000    | North Dakota.....   | 37,665,000   |
| Florida.....       | 17,789,000   | Ohio.....           | 13,990,000   |
| Georgia.....       | 36,314,000   | Oklahoma.....       | 42,663,000   |
| Hawaii.....        | 664,000      | Oregon.....         | 9,894,000    |
| Idaho.....         | 38,436,000   | Pennsylvania.....   | 21,214,000   |
| Illinois.....      | 37,227,000   | Rhode Island.....   | 758,000      |
| Indiana.....       | 49,240,000   | South Carolina..... | 11,699,000   |
| Iowa.....          | 92,148,000   | South Dakota.....   | 55,698,000   |
| Kansas.....        | 32,371,000   | Tennessee.....      | 39,951,000   |
| Kentucky.....      | 27,685,000   | Texas.....          | 43,958,000   |
| Louisiana.....     | 26,575,000   | Utah.....           | 4,583,000    |
| Maine.....         | 6,204,000    | Vermont.....        | 3,477,000    |
| Maryland.....      | 8,143,000    | Virginia.....       | 12,391,000   |
| Massachusetts..... | 3,700,000    | Washington.....     | 25,177,000   |
| Michigan.....      | 33,926,000   | West Virginia.....  | 4,585,000    |
| Minnesota.....     | 58,279,000   | Wisconsin.....      | 36,055,000   |
| Mississippi.....   | 34,700,000   | Wyoming.....        | 5,942,000    |
| Missouri.....      | 41,900,000   | Puerto Rico.....    | 8,311,000    |
| Montana.....       | 13,564,000   | Virgin Islands..... | 0            |

Source: Jack Hertzler, Economic Emergency Loan Program Office of the Farmers Home Administration.

TABLE 4.—COUNTIES DECLARED ELIGIBLE FOR USDA EMERGENCY PROGRAMS

| State               | FmHA drought emergency loans (thru Aug. 15) | ASCS emergency (thru Aug. 12) |                       | Total counties in State |
|---------------------|---------------------------------------------|-------------------------------|-----------------------|-------------------------|
|                     |                                             | Feed payments                 | Conservation programs |                         |
| Alabama.....        | <sup>1</sup> 67                             | 4                             | 1                     | 67                      |
| Arkansas.....       | <sup>1</sup> 75                             | 60                            | 1                     | 75                      |
| Florida.....        | 1                                           | 0                             | 0                     | 67                      |
| Georgia.....        | 153                                         | 31                            | 0                     | 158                     |
| Illinois.....       | 0                                           | 0                             | 1                     | 102                     |
| Indiana.....        | 2                                           | 0                             | 0                     | 92                      |
| Iowa.....           | 0                                           | 1                             | 12                    | 99                      |
| Kansas.....         | 37                                          | 20                            | 0                     | 105                     |
| Louisiana.....      | 9                                           | 11                            | 0                     | 64                      |
| Minnesota.....      | 24                                          | 14                            | 30                    | 87                      |
| Mississippi.....    | 7                                           | 1                             | 0                     | 82                      |
| Missouri.....       | <sup>1</sup> 114                            | 79                            | 0                     | 114                     |
| Montana.....        | 21                                          | 24                            | 10                    | 57                      |
| New Mexico.....     | 0                                           | 16                            | 0                     | 32                      |
| North Carolina..... | 2                                           | 3                             | 0                     | 100                     |
| North Dakota.....   | <sup>1</sup> 53                             | 52                            | 4                     | 53                      |
| Oklahoma.....       | <sup>1</sup> 77                             | 15                            | 2                     | 77                      |
| South Carolina..... | 14                                          | 0                             | 0                     | 46                      |
| South Dakota.....   | 52                                          | 21                            | 2                     | 67                      |
| Tennessee.....      | <sup>1</sup> 95                             | 31                            | 0                     | 95                      |
| Texas.....          | 113                                         | 26                            | 4                     | 254                     |
| Virginia.....       | 46                                          | 3                             | 0                     | 95                      |
| Wyoming.....        | 1                                           | 3                             | 1                     | 23                      |

<sup>1</sup> Entire State.

Source: USDA memo updating August 1 assessment of the magnitude and probable effect of the 1980 drought.

## APPENDIXES

## 1980 U.S. DROUGHT UPDATE

This report updates the Department's August 18 assessment of weather conditions and the impact on crops in the United States.

The synoptic weather pattern has continued without major changes from mid-August into early September. The major storm systems moved across southern Canada with the trailing cold fronts and accompanying rain showers pushing southward into the central United States. The moisture moving northward from the Gulf of Mexico produced scattered thundershowers along the Gulf coast but amounts were generally too light to meet the high demand for moisture.

The August monthly precipitation pattern is shown in Fig. 1. Wet weather ended much of the moisture stress conditions for crops and pasture land in the northern Great Plains and western Corn Belt states in August. In fact, well-above normal precipitation fell from the north-central states into the Ohio River Valley (Fig. 2) resulting in highly variable row crop development. Rainfall replenished the previously dry topsoil and improved the status of crops. However, as the crops approached maturity the wet weather induced sprouting and disease in some areas. Temperatures were below normal in the northern Great Plains in August but remained above-normal in the Corn Belt (Fig. 3). In general, crop conditions improved during August in the North-Central region but as the widespread showers continued in early September (Fig. 4) crop maturation and harvesting activities were slowed. Preparations for winter wheat sowing began in Montana in response to improved soil moisture conditions.

In the Plains States, weather conditions became more unfavorable for crop development moving from North to South. Nebraska, northern Kansas and Northern Missouri received near-normal to well-above normal precipitation during August while monthly temperatures remained slightly above normal. Moisture supplies improved in this region for winter wheat seedbed preparation and sowing as well as for crops in final growth stages and pasture lands. Row crops were generally rated fair but subsoil moisture was still short. Conditions worsened further south with crops rated fair to poor in the southern portions of Kansas, Missouri and Illinois. Heavy showers produced up to 2 or more inches of rain in early September (Fig. 4) in most of Missouri, Illinois and northern Arkansas which improved pasture conditions. However, it was too late for dryland corn, now in poor condition in these areas. Temperatures remained well-above normal in early September (Fig. 5) throughout much of the eastern two-thirds of the country.

Hot, dry weather persisted over the southern portion of the U.S. during August. Less than 50 percent of monthly normal precipitation fell in eastern Texas, Oklahoma, Arkansas, Louisiana, western Mississippi, southern Tennessee, most of Georgia, and extending northward along the Atlantic Coast. Moisture is in very short supply in the southern states except in Florida and southern Texas. Crops are in poor condition as sorghum, soybeans, cotton, peanuts, and corn have deteriorated further under the severe moisture deficiencies. Pasture conditions were also rated poor. August monthly temperatures were well-above normal in most areas except southern Texas. Hurricane Allen brought heavy rains and strong winds to southern Texas on August 9 and 10. Heaviest crop damage occurred along the lower Rio Grande Valley and Coastal Bend Region.

During the first week in September, significant rain (1 to 2 inches) fell in portions of Oklahoma, Arkansas, Tennessee, northern Mississippi, northern Alabama and northern Georgia (Fig. 4). This much needed rain helped sustain the present crop status, although conditions remain poor in most areas. By mid-week, tropical storm Danielle moved into the central Gulf Coast producing substantial rain in southern Louisiana and south and central Texas. This moisture is too late to benefit most field crops; however, the rain provided needed moisture for winter wheat sowing, and improved pasture conditions.

Only isolated scattered showers occurred in the southeastern states during the period September 8-10 with high temperatures reaching the mid to upper 90's. Soil moisture remains very short in this area. The remnants of tropical storm Danielle continued to produce significant rainfall in the Texas Panhandle and portions of Oklahoma which improve prospects for winter wheat sowing and rangeland recovery in those areas.

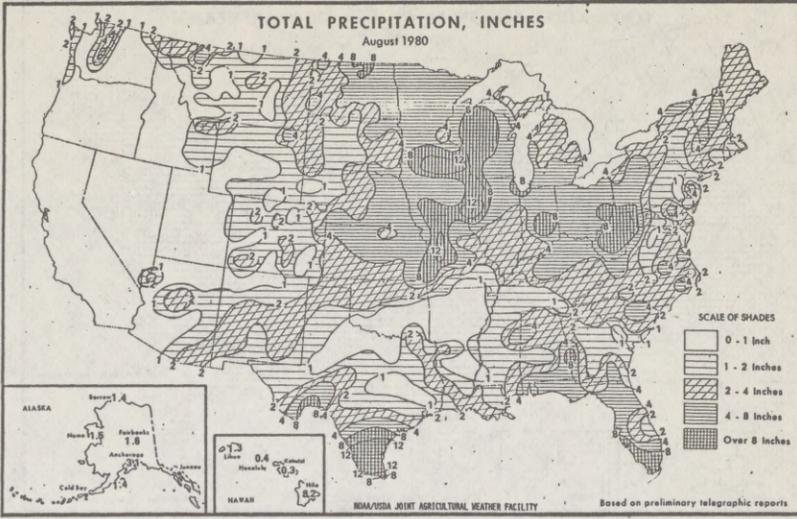


FIGURE 1

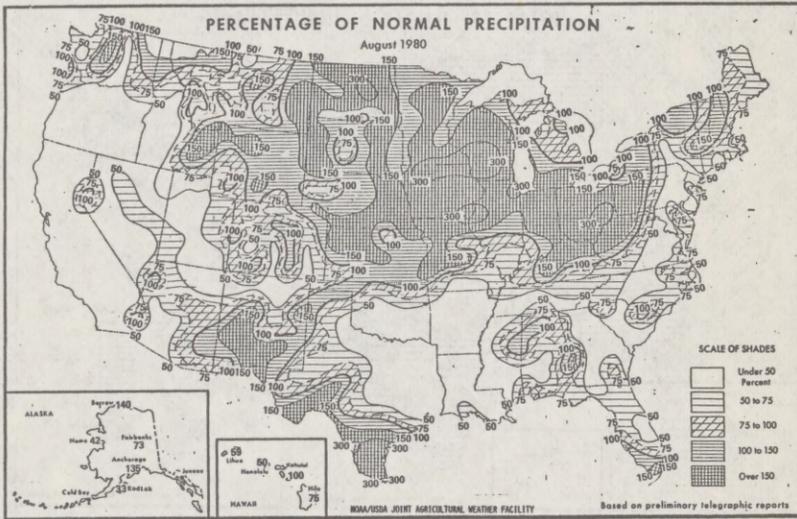


FIGURE 2

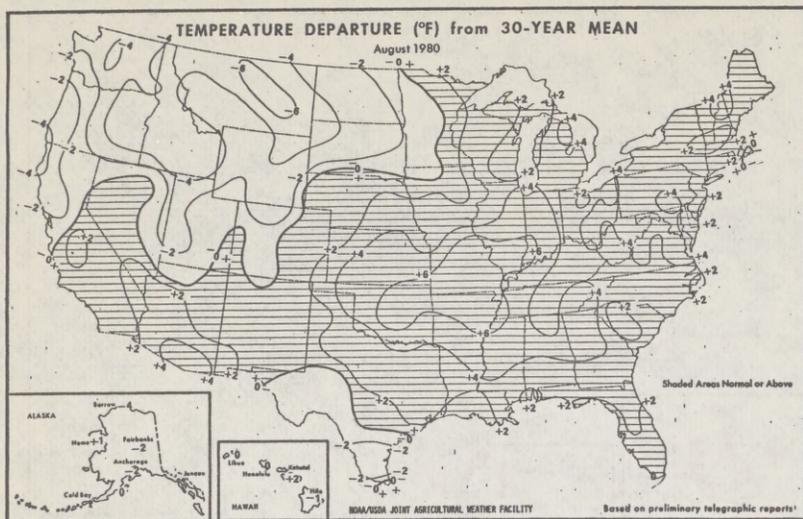


FIGURE 3

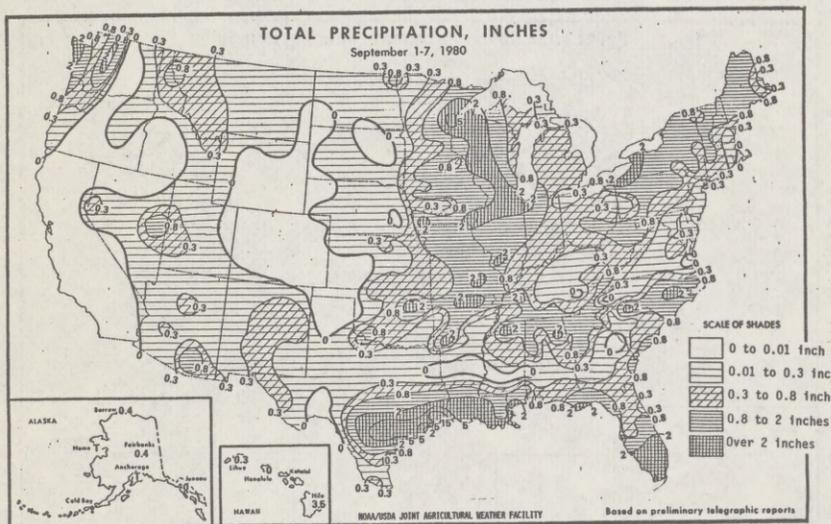


FIGURE 4

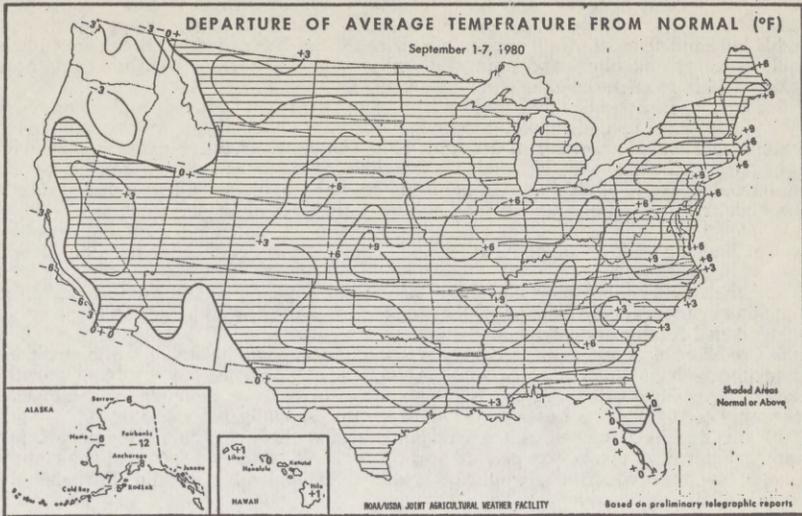


FIGURE 5

## FMHA INSTRUCTION 1945-B—EXHIBIT B

*Memorandum of Understanding Between the Small Business Administration (SBA) and the U.S. Department of Agriculture (USDA)—Farmers Home Administration (FmHA) Pertaining to Disaster Loan Assistance Programs*

### I. Preamble

Public Law 96-302, which amended the Small Business Act and the Consolidated Farm and Rural Development Act, amends Section 18 of the Small Business Act by—“(1) striking the comma after the phrase ‘agricultural related industries’ and inserting the following: ‘: Provided, That prior to October 1, 1983, an agricultural enterprise shall not be eligible for loan assistance under paragraph (1) of section 7(b) to repair or replace property other than residences and/or personal property unless it is declined for, or would be declined for, emergency loan assistance at substantially similar rates from the Farmers Home Administration under Subchapter III of the Consolidated Farm and Rural Development Act,’ and . . . .”

This legislation makes it clear that farmers are to be directed to the FmHA for disaster loan assistance once a disaster declaration has been made as a result of disasters commencing on or after July 3, 1980.

This joint Memorandum reaffirms the mutual desire of SBA and FmHA to cooperate in the use of their respective disaster loan-making authorities to complement the disaster program activities of each other, consistent with the basic purpose of the legislation.

It is *not* intended that this Memorandum alter the relationship that currently exists between FmHA and SBA regarding the handling of each Agencies’ regular lending programs.

With respect to their regular programs, FmHA and SBA will continue, to the extent possible, to improve and expand the delivery of financial assistance to the agricultural community.

### II. Definitions

1. *Farming* is the business of producing crops, livestock, livestock products, and aquatic organisms through the management of land, water, labor, capital and basic raw materials, e.g., seed, feed, fertilizer and fuel.

2. *Natural disaster* (As authorized by FmHA State Directors) is a disaster caused by such natural phenomena as hurricanes, tornadoes, cyclones, excessive rainfall, floods, earthquakes, blizzards, freezes, electrical storms, snowstorms, drought, exces-

sively high temperatures, and hail; insects where abnormal weather contributed substantially to the spreading and flourishing of such insects; fire resulting from lightning, and fires of other origins which could not be controlled because of abnormal weather; and plant and animal diseases where abnormal weather contributed substantially to such diseases spreading into epidemic stages.

3. *Physical disaster* (As declared by the Administrator of SBA) is a disaster caused by a flood, riot, civil disorder, hurricane, tornado, storm high water, wind-driven water, tidal wave, snowstorm, drought, fire, explosion or other catastrophic event.

4. *Major disaster* (As declared by the President) is a disaster caused by any catastrophic event of sufficient magnitude to warrant major disaster assistance by the Federal Government, under the Disaster Relief Act of 1974.

5. *Housing losses* are losses sustained to the farmowner's personal dwelling, tenant housing or farm labor housing and their contents, and other personal property contained therein.

6. *Agricultural enterprises* are those businesses engaged in the production of food and fiber, ranching and raising of livestock, aquaculture, and all other farming and agricultural related industries.

7. *Credit elsewhere.*—(a) For SBA purposes, is the availability of sufficient credit from non-Federal sources at reasonable rates and terms, taking into consideration prevailing private rates and terms in the community in or near where the disaster loan applicant transacts business for similar purposes and periods of time.

(b) For FmHA purposes, is the availability of sufficient credit elsewhere taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.

8. *Federal individual assistance* is the Federal disaster assistance made available to private individuals and privately owned and operated agricultural enterprises as compared to public assistance disaster programs which are available to governing bodies and quasi-governing bodies of political subdivisions.

9. *Presidential emergency* is any disaster in any part of the United States which is of such magnitude that the President makes a declaration and which requires certain Federal emergency programs to supplement State and local efforts in the preservation of lives and protection of property, public health and safety, or to avert or lessen the threat of a more severe disaster.

### III. General guidelines

1. The FmHA administers its financial assistance programs through its State, District and County offices.

The SBA administers its financial assistance programs through its Regional, District and Branch offices.

2. All farm disaster loss loan applications heretofore and hereafter approved by SBA will be serviced by SBA.

3. The SBA and FmHA will have substantially similar interest rates for their respective loss loans. It is agreed, therefore, that such interest rates will not differ by more than one percent per annum at any given time, except where the SBA law prohibits it; and that the FmHA Deputy Administrator for Farm and Family Programs and the SBA Associate Administrator for Financial Assistance will consult before either Agency changes its loss loan rate of interest.

4. FmHA State Directors and SBA District Directors will consult with each other when either is contemplating authorizing or recommending that an area(s) be named where farm disaster financial assistance is to be made available. Each Agency, at the National level, will notify the other in writing when such declaration or authorization is officially made.

5. FmHA State Directors and SBA District Directors will exchange addresses of their respective offices and identify the geographical area(s) served by each. This specific information will be available in all field offices of both Agencies so applicants can be referred to the appropriate offices with a minimum of delay. The FmHA uses its local county offices to administer disaster emergency programs. SBA will either establish special local offices for administering its disaster assistance programs, or utilize permanent SBA offices, as appropriate.

6. SBA Disaster Branch Offices and FmHA County Offices will cooperate to avoid overlapping and duplication of disaster benefits by exchanging loan application and loan approval information while ensuring that farmers and rural resident disaster victims receive the assistance to which they are entitled.

7. FmHA State Directors and SBA District Directors will meet on a frequency of not less than annually to review this Memorandum of Understanding, clarify and agree on each Agency's disaster program responsibilities, and plan appropriate training meetings for their respective employees to assure familiarity with and common understanding of the contents of this Memorandum of Understanding.

#### IV. How loans are made available

1. *FmHA emergency (EM) loans.*—EM Loans will be made available in counties named by the Federal Emergency Management Agency (FEMA) as eligible for Federal Individual Assistance under a major disaster or emergency declaration by the President, or in counties where EM Loans are authorized by the FmHA State Director because of a natural disaster.

2. *SBA disaster loans.*—SBA Physical Loss and Economic Injury Disaster Loans will, as determined to be necessary and appropriate, be made available in counties named by FEMA, as well as in counties declared by the Administrator of SBA. Economic Injury Disaster Loans, as a separate program, will be made available to nonfarm small business concerns in counties where FmHA State Directors have authorized EM Loans, and furthermore, SBA Physical Disaster Loans will be made available to those agricultural enterprises referred to SBA by FmHA pursuant to paragraph IV 4 (e) of this Memorandum of Understanding.

3. FmHA and SBA will establish a liaison at both the State Director/District Director level and the National level and periodically coordinate their activities to: (a) exchange detailed information concerning the disaster loan programs, (b) define areas of cooperation between the two Agencies, (c) assure that their programs are serving the intended recipients, (d) establish new methods to serve the public more expeditiously, and (e) achieve maximum utilization of their respective resources.

4. The SBA and FmHA agree that the interests of agricultural enterprises will be best served, and that each Agency will achieve better utilization of available resources, through the operating guidelines discussed in this section relative to areas where these Agencies offer disaster assistance. Furthermore, National FmHA and Central SBA office representatives agree to meet on a frequency of not less than annually to review this Memorandum of Understanding, discuss matters of mutual concern relating to each Agency's disaster loan programs and to revise this document, if appropriate.

(a) When an applicant has sustained only housing and personal property losses in areas where SBA's Physical Loss Loans are available, only SBA will make loans for the restoration or replacement of disaster caused housing losses as defined in paragraph II 5 of this Memorandum of Understanding. When an agricultural enterprise has suffered farm production and/or physical farm losses, as well as housing losses, and SBA has not approved a physical disaster declaration for the affected area, FmHA will make the loan(s) for the production and physical farm losses as well as the housing losses.

In the event both Agencies have made their disaster assistance programs available for the area, applicants will have the option of going to FmHA or SBA for disaster loan assistance to restore or replace their housing losses; however, in all cases, farm production and farm physical loss loans will be made by FmHA, providing the applicant is otherwise eligible.

In those instances where an FmHA farm production and/or physical farm loss loan(s) is to be made, following approval of an SBA Housing Loss Loan, the SBA will, upon request from FmHA, subordinate its lien to FmHA, as may be required for approval of the FmHA loss loan(s).

(b) When an applicant makes an initial inquiry for disaster assistance from SBA and farm losses are evident, the applicant will be advised of the provisions of (a) above and referred to FmHA for the needed financing based on farm losses. When an applicant makes an initial inquiry with SBA seeking disaster assistance for housing losses *only*, the applicant will be referred to FmHA for consideration whenever the losses suffered were not in an SBA authorized area. Should such an applicant be in an SBA authorized area and be denied SBA assistance because of a lack of repayment ability due to low income, the applicant may be referred to FmHA for its consideration under FmHA's 502 Rural Housing Interest Credit Loan Program, provided the applicant resides in a rural community or in a community under 20,000 population. FmHA may be able to extend interest credit assistance to such borrowers at rates as low as 1 percent under that Loan Program.

(c) In any event, potential farm loan applicants should contact FmHA for an interview to determine whether they are eligible for disaster loan assistance from the FmHA. Those not eligible will be referred to the SBA for consideration, except those discussed in paragraph (e) below. Where a referral or denial action is taken by the FmHA, the referral or denial letter to the applicant will specify the reason(s) why the disaster type assistance requested by the applicant was not made available by FmHA.

(d) Potential applicants are not to be referred back and forth between FmHA and SBA. Representatives of each Agency must be reasonably certain the disaster victim is eligible for assistance from the other agency before a referral is made.

(e) FmHA personnel will refer, by letter, those applicants ineligible for FmHA EM Loan assistance for reasons such as alien status; corporations, partnerships and cooperatives not being primarily engaged in farming; and farm owners who do not operate their farm(s). Referral letters will state the specific reason(s) for ineligibility and will include the following statement, "Applicant has been informed that applicants for SBA Physical Disaster Loan assistance must meet minimum loss criteria substantially similar to that employed by FmHA." Referrals will not be made by FmHA when the reason(s) for loan denial is based on unfavorable credit determinations (includes inadequate security), lack of repayment ability, or when it is known to FmHA that sustained disaster losses are insufficient to meet its minimum loss criteria.

(f) Disaster victims filing for financial assistance from either Agency will give written permission for FmHA and SBA to exchange all prior and current loan application and loan experience information, including appraisals. The format for this permission must be developed in compliance with the Privacy Act.

(g) Applicants filing for financial assistance from either Agency must use the forms and procedures of the Agency being requested to provide such assistance. An applicant who is denied assistance by either Agency must file a new application with the other in accordance with that Agency's forms and procedures. However, the earliest filing date of an application for losses with either Agency will constitute the filing date with regard to termination dates for receiving applications by either Agency; provided not more than six months has elapsed since the termination date of the second Agency contacted, at the time that Agency is requested to process an application.

#### V. Description of lending policies

The FmHA guarantees EM Loans and also makes insured EM Loans. Guaranteed EM Loans are loans where an eligible lender advances the entire loan from its own resources and services the loan. The FmHA guarantees repayment to the lender of a certain percentage of any loss of principal and interest. Insured EM Loans are those made from the Agricultural Credit Insurance Fund (ACIF) by FmHA employees and serviced by FmHA employees.

The SBA makes direct, immediate participation, and guaranteed loans. Direct loans are made with SBA funds only. Immediate participation loans are those in which SBA agrees to purchase a specified percentage of a loan from a lender immediately after disbursement of such loan. Guaranteed loans are made by a conventional lender from its own funds and SBA guarantees a percentage of the unpaid balance.

#### VI. Loan programs

The Emergency and Disaster Loan Programs of FmHA and SBA are outlined in Table I which sets forth the comparative similarities and differences of each program.

#### VII. Administrative guidelines

1. The services of FmHA and SBA, which are available to lenders and applicants are, by mutual agreement, services that each Agency would provide any eligible applicant in the normal course of business; and normally there will be no reimbursement by either Agency to the other for such services.

2. The National Office of FmHA and the Central Office of SBA will cooperate in counseling their field offices and in resolving problems in specific cases.

3. This Memorandum of Understanding in no way alters or supersedes the existing Memoranda between the two Agencies covering FmHA's regular farmer loan authorities and its Business and Industrial Loan authorities, and all of SBA's regular loan programs. However, this Memorandum replaces the previous Memorandum of Understanding on disaster type loan assistance, signed by SBA on July 21, 1977, and by FmHA on August 25, 1977.

4. This agreement may be amended at any time by written agreement of both parties.

5. This agreement shall take effect upon the later date shown below.

GORDON CAVANAUGH,  
*Administrator,*  
*Farmers Home Administration.*

Date: \_\_\_\_\_

A. VERNON WEAVER,  
*Administrator,*  
*Small Business Administration.*

Date: \_\_\_\_\_

## SBA/FMHA MEMORANDUM OF UNDERSTANDING—DISASTER LOAN ASSISTANCE PROGRAMS

TABLE I.—Comparative similarities and differences

| <i>FmHA</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <i>Eligibility</i>        | <i>SBA</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| <p>1. An individual applicant must be a citizen of the United States. For applicants which are organized as a partnership, a cooperative, or a corporation, the principal owners must be U.S. citizens; over 50 percent of the ownership of such entities must be held by U.S. citizens; and the manager of any such entity must have an ownership interest in the entity and be a U.S. citizen. Such entity must be recognized and authorized to farm in the State(s) in which it will operate a farm(s), and such entity will be in good standing in that State(s).</p> <p>2. EM loan applicants able to obtain their needed credit elsewhere may be considered for an Actual Loss Loan only at a current market rate of interest.</p> <p>EM Loan applicants unable to obtain their needed credit elsewhere, exclusive of an SBA Physical Disaster Loss Loan, may qualify for an Actual Loss Loan(s) at 5 percent interest, and EM Annual Production and/or EM Major Adjustment Loan(s) at the current market rate of interest.</p> <p>3. The applicant must be an established farmer, rancher or aquaculture operator, either tenant-operator or owner-operator. If the applicant is a partnership, corporation, or cooperative, it must be primarily engaged in farming; i.e., it must derive over 50 percent of its gross income from all sources from the farming operation(s), and the farming operation(s) must be managed by one or more of the principal partners, principal stockholders, or principal members.</p> <p>4. The applicant must have been conducting a farming operation(s) at the time of the disaster in a county or counties where EM loans have been authorized.</p> <p>5. The applicant must have suffered qualifying property damage or production losses as a direct result of the declared or authorized disaster.</p> <p>6. The applicant must be of good character, have the necessary experience and/or training, industry, and ability to carry out the proposed operation.</p> | <p><i>Eligibility</i></p> | <p>1. Citizenship is not required. However, use of disaster loan proceeds outside the United States or its possessions is not permitted.</p> <p>2. Physical Disaster Loans are made to non-business loan applicants, without regard to the availability of other financing or resources, and business loan eligibility is similar. However, the SBA's judgment of the business' capacity to obtain credit elsewhere will determine the applicable interest rate. Applicants for Economic Injury Disaster Loan (EIDL) assistance must seek and fully utilize all alternate financing resources prior to obtaining an EIDL loan from SBA. EIDL applicants must be eligible small businesses according to SBA size standards.</p> <p>3. Most homeowners, businesses and nonprofit institutions are eligible for Physical Disaster Loan assistance.</p> <p>4. The applicant must be within the disaster area as defined by the SBA disaster declaration.</p> <p>5. The applicant must have suffered real or personal property damage as a direct result of the declared disaster.</p> <p>6. Applicants must be of good character and must be able to provide reasonable assurance of loan payment ability.</p> |

7. Will take all farm disaster applications and approve EM loans based on disasters commencing after July 2, 1980, regardless of whether or not an applicant can obtain the credit needed elsewhere.
7. Will take any farm disaster applications and approve disaster loans based on disasters commencing on or before July 2, 1980. Applicants applying for farm disaster loans based on disasters commencing on or after July 3, 1980, will be referred to FmHA.

#### *Loan purposes*

1. For those unable to obtain credit, to cover actual losses for damaged or destroyed farm property and production; provide essential annual farm production and family living expenses; and provide the financing necessary to make adjustments in the farming operation, which will assure the return of the operation to a financially sound pre-disaster base.
2. Housing losses—available under FmHA's Rural Housing Disaster Loan Program only when SBA's Physical Disaster Loan assistance is not available. When housing and farm losses are involved, the applicant may choose between SBA or FmHA for loan assistance on the housing loss, but all farm loss assistance will be provided by FmHA.
3. Initial EM Annual Production Loans may be applied for up to 12 months from the disaster authorization date. Subsequent EM Annual Production Loans may be applied for up to three full calendar years after the disaster authorization date. However, EM Annual Production Loans, initial or subsequent, are not available to applicants who are initially able to obtain their needed credit elsewhere.
4. EM Major Adjustment Loans may be applied for up to 12 months after the disaster authorization date, but are not available to applicants who are initially able to obtain their needed credit elsewhere.
1. The purpose of Physical Disaster Loans is to restore the disaster victim's home or business property, real or personal, as nearly as possible to its pre-disaster condition. No upgrading is permitted except as required for code compliance.
2. Housing losses—When only housing losses are sustained, SBA will make all Housing Loss Loans caused by the declared disaster. In those areas where both FmHA and SBA disaster programs are available, applicants may select the Agency from which they wish to obtain their Housing Loss Loan, but all applications for farm loss loans will be referred to FmHA.
3. Economic Injury Disaster Loans are somewhat similar; however, the need for these loans must be specifically related to the physical disaster as declared by SBA.
4. No comparable disaster loan program; however, SBA's Regular Business Loan Program is somewhat similar.

#### *Rates and terms*

1. Actual Loss Loans (a) For applicants who are able to obtain their credit elsewhere, the interest rate for EM Actual Loss Loans is established by the Secretary of Agriculture, based on the cost of money to the Government using the statutory formula.
- (b) For applicants who are unable to obtain their credit elsewhere, the interest rates for EM Actual Loss Loans are as follows:
  1. Interest rate on Physical Disaster Business Loans where credit elsewhere is available is determined by a statutory formula which is based upon the cost of money to the Government, and which will remain in effect for all disasters occurring on or prior to October 1, 1983.
 During the same period, October 1, 1978, through September 30, 1983, there is a 3 percent interest rate for losses to primary homes and personal property; and a 5 percent rate for loans to businesses, which in SBA's judgment are unable to obtain credit elsewhere.

- (1) For disasters occurring through September 30, 1978, for which loans were approved on or after October 1, 1978, the rate is 3.00 percent.
- (2) For disasters occurring on or after October 1, 1978, the rate is 5.00 percent. Actual Production Loss Loans are normally made for up to 7 years. Under certain circumstances loss loans for production and chattel losses may extend up to 20 years with special conditions, depending on the life expectancy of the collateral securing the loan(s). Actual Loss Loans for real estate purposes will normally be for 30 years, but may extend up to 40 years.
2. Annual Production Loans—at the current prevailing market rate established periodically by the Secretary and repayable when principal income from the year's operation is normally received.
3. Major Adjustment Loans—at prevailing current market rate as established periodically by the Secretary. Such loans for chattels are normally made for up to 7 years, and for real estate, normally up to 30 years. Under certain circumstances loans for chattels may extend up to 20 years and loans for real estate may extend up to 40 years.

Interest rates on loans for all other purposes are based upon a statutory formula.

SBA Home, Personal Property, Business, and Economic Injury Disaster Loans may have maturities of up to 30 years. However, the repayment ability of the applicant will determine the actual maturity of the loan.

2. Interest rate for Economic Injury Disaster Loans which are similar is based upon a statutory formula.
3. No comparable disaster loan program.

#### *Loan limits*

1. In addition to the ceiling limitations listed herein, the extent of loan assistance is also limited by the amount of actual loss, potential repayment ability, collateral available, the applicant's needs and other credit factors.
  - (a) There is a statutory limit of \$500,000 per disaster per applicant for Actual Loss Loan assistance for both those who can obtain and those who cannot obtain their credit elsewhere.
  - (b) Administrative ceilings for those who cannot obtain credit elsewhere have been established as follows:
    - (1) Actual Loss Loan—\$500,000 per applicant per disaster designation for disasters occurring on or after October 1, 1978.
    - (2) \$250,000 per applicant per disaster designation for disasters occurring through September 30, 1978.

1. Home Loans—No statutory limit; however, the following administrative limits have been established: (a) \$50,000 for real estate, (b) \$10,000 for personal property, or (c) \$55,000 for combined purposes and up to \$50,000 for eligible refinancing.

2. Business Loans, Physical Disasters—No statutory limit for disasters commencing prior to enactment of Public Law 96-302, i.e., July 2, 1980; however, a \$500,000 administrative limit was in effect; exceptions permitted by SBA Regional Administrator to avoid undue financial hardship.

For disasters commencing on or after July 2, 1980, the statutory limit is \$500,000 per disaster per borrower.

(3) Annual Production and/or Major Adjustment Loans—\$1,500,000 outstanding principal balance authorized per EM borrower, regardless of the number of disasters. A further sub-limitation setting a \$300,000 maximum outstanding principal balance on Major Adjustment Loans for refinancing debts, which are secured by real estate, is established within the above, \$1,500,000 ceiling. However, borrowers indebted for an EM Loan(s) on or before December 15, 1979, who cannot obtain credit elsewhere, may receive subsequent Annual Production Loans in amounts necessary to continue their normal operation(s) without regard to this indebtedness ceiling.

Limit may be waived by Administrator if applicant is a major source of employment in an area suffering a major disaster declared by the President.

3. Business Loans, Economic Injury—No statutory limit, the amount of economic injury determines the size of the loan.

#### *Graduation policy*

1. Reviewed to determine ability to obtain credit from other credit sources after a three (3) year period following receipt of the initial EM loan, and every two (2) years thereafter, until graduation is achieved or the loan(s) is paid in full. Refinancing, when available, is mandatory for borrowers who, when they received their initial loans, were unable to obtain credit from other sources.

1. Business loan applicants, who can obtain credit elsewhere (loans approved at formula rate), will be reviewed for graduation three years after a Physical Disaster Business Loan is fully disbursed, and every two years thereafter for the term of the loan. Refinancing, when available, is mandatory.

#### *Economic injury loans*

1. EM loans for annual production purposes are similar.

1. SBA is authorized to make Economic Injury Disaster Loans to small business concerns that have suffered cash flow problems related to the disaster. These loans are for working capital only and do not allow for any expansion.

### EFFECTS OF THE DROUGHT AND HIGH TEMPERATURES ON U.S. AGRICULTURE: AN INTERIM ASSESSMENT<sup>1</sup>

#### INTRODUCTION

This report updates the Department's August 1 assessment of the magnitude and probable effects of persistent hot, dry conditions in the central and southern United States over the past 2 months. Weather developments in the next several weeks could change the outlook for crops and livestock considerably. For that reason, this report will be updated as changing conditions warrant.

This report describes weather patterns since July 31; impacts on supplies, stocks, and prices of the crops and livestock affected; implications for retail food prices; and developments in USDA drought assistance programs. The appendix includes maps and tables further detailing the situation.

#### SUMMARY

USDA sharply reduced its 1980 feed grain production estimate and issued its first forecasts of soybean and cotton output in its August 11 U.S. Crop Production report which was based on conditions through August 1. Though production of all these crops will be down sharply from last year's, primarily because of the hot, dry weather, a record U.S. food grain harvest is still projected. The large feed grain and soybean carry-in from the 1979/80 harvest will be drawn down considerably during 1980/81 to help compensate for the drop in production, and prices for all major crops will run moderately to sharply higher than this past season's.

Though food prices are rising sharply due to a cutback from an over-expansion in meat output earlier this year, the main effect of the drought on retail food prices

<sup>1</sup> U.S. Department of Agriculture August 15, 1980.

will not be felt until 1981 as livestock and poultry producers react to higher feed costs during the remainder of 1980.

Weather conditions have been mixed during the first half of August. Temperatures generally remained above normal throughout the period but showed some moderation from their July extremes. Precipitation was below normal during the first week in August, picked up in the second week in some key areas of the Corn Belt, and was near normal in the northern and central Great Plains. Rainfall remained below average in the southeastern United States. In general, precipitation and temperature patterns have been neutral to detrimental to crop development in most major producing areas.

Weather patterns for the rest of August are unlikely to be much different from those of the first half of the month. Soil moisture levels in most major growing areas remain short.

#### WEATHER: UPDATE THROUGH MID-AUGUST

In late July, the stationary ridge of high pressure situated over the south-central United States for more than a month shifted westward to the Great Basin-Rocky Mountain region resulting in two important weather changes: First, storm systems that had been prevented from entering the northern Great Plains by the blocking high pressure system were now able to penetrate into the Great Plains and provide a better opportunity for much needed moisture. Second, the buildup of a high pressure system over the southeastern United States allowed a periodic flow of southerly air to penetrate the midsection of the country, bringing moist air from the Gulf of Mexico. (Fig. 1-4 summarize July weather and soil-moisture conditions.)

While hot weather persisted in the central and southern Great Plains, and temperatures averaged 6 to 10 degrees warmer than normal in early August (Fig. 5), increased shower activity, especially during the second week, provided temporary relief for stressed crops in much of the Corn Belt and north-central States (Fig. 6). Since the last week of July, 3 slow-moving frontal systems have pushed as far south as the central Great Plains and moved through the Corn Belt to the Atlantic Coast. Showers and thunderstorms produced significant rainfall from the Dakotas to eastern Kansas and eastward to the mid-Atlantic States.

Showers were more scattered and generally produced smaller amounts of rainfall in southern portions of Illinois, Indiana, and southward to Texas and the southeastern United States. Coastal areas of Gulf Coast States did receive frequent shower activity in early August, and south Texas was inundated by Hurricane Allen before the storm dissipated in the northern mountain region of Mexico. East central Texas, Oklahoma and western Arkansas still received virtually no moisture during the first 2 weeks of August.

Soil moisture supplies are still generally rated short in many areas (Fig. 7) although rainfall improved conditions in much of the north-central States. Frequent rain is needed to improve soil moisture reserves, however. Crops continued to face stressed conditions although shower activity helped sustain growth.

Spring wheat reached maturation in the northern Great Plains after a prolonged period of adverse growing conditions. Corn had silked by early August in the Corn Belt States and continued moisture supplies are crucial for yield prospects. Similarly, soybean blooming neared completion and pod setting occurred. Both corn and soybeans are still rated fair in the Corn Belt due to shower activity, but are rated fair to poor in other areas. Crops are more advanced in phenological development further south where soil moisture is in short supply, particularly in central and north Texas, Oklahoma, Missouri, Arkansas, Georgia and South Carolina. Cotton bolls have begun to open and sorghum has advanced into grain-filling and maturation stages.

During the first 2 weeks of August, temperatures generally remained above normal, though some moderation occurred in the north-central States. Precipitation remained below normal during the first week; however, rainfall amounts were above-normal in the Corn Belt States and near-normal in the northern and central Great Plains during the second week. Increased shower activity in these areas helped reduce the effect of above-normal temperatures on crops during this period. The southeastern United States still showed below-normal rainfall for both weeks. Crop conditions continue to deteriorate in this portion of the country due to lack of sufficient moisture and above-normal temperatures. (Table 1 shows the shares of U.S. crop and livestock production accounted for by the drought-affected States.)

#### *Weather prospects*

For the remainder of August the weather pattern is unlikely to differ significantly from that of the past 2 weeks. Frequent shower activity in the northern half of the United States, east of the Rockies, will help sustain development of corn and soybeans in the Corn Belt. Temperatures are expected to moderate somewhat closer

to the seasonal average. Showers will likely be more scattered further south. Temperatures are expected to remain above normal in much of the southern United States. Consequently, additional moisture remains the critical factor for yield prospects, particularly in relation to grain filling and pod setting.

#### COMMODITY ASSESSMENT

##### *World overview*

Weather conditions in major producing countries outside the United States generally have favored crop development, with the major exception of South Africa where dryness has also been a problem. World grain production in 1980/81 is expected to increase about 2 percent, as a 6-percent larger crop abroad more than offsets an 11-percent decline in U.S. production. Soviet production is increasing sharply relative to last year's poor crop. Though foreign grain production is likely to be larger than last year's, beginning 1980/81 foreign stocks were relatively low, and high consumption abroad this year will imply a tightening of global supplies in relation to use, particularly for feed grains (Table 2).

Oilseed production outside the United States is expected to increase about 2 percent, if soybean yields recover in Argentina and weather again favors a large Brazilian crop. But a drop of around 18 percent in U.S. oilseed production will pull world production down around 6 percent. Though oilseed stocks are large, smaller world oilseed and feed grain crops, coupled with a continued high level of use, will significantly cut 1980/81 season-ending stocks.

Cotton production also is increasing abroad, but 1980/81 ending stocks will remain at a low level relative to use.

##### *Feed grains*

Corn crop conditions since August 1 have been mixed, although it appears there has been little reduction in the overall crop size (Fig. 8). Conditions were generally hot with only scattered showers during the first week in August over much of the Corn Belt, but rainfall was above normal in many areas during the following week. Crop prospects have likely deteriorated slightly in Minnesota, Nebraska, and Missouri, but have improved in parts of Iowa and remain excellent in the eastern Corn Belt. The general supply/use and price outlook has changed little since the beginning of the month (Table 4).

The August 11 U.S. Crop Report confirmed that production prospects for corn and sorghum had sharply deteriorated during July. The corn crop, based on conditions as of August 1, was forecast at 6.65 billion bushels, 9 percent below the July 1 forecast, and 14 percent below 1979/80's. Most major Corn Belt States posted substantial decreases in yields, with drops varying from 3 bushels in Iowa to 37 bushels in Missouri.

The first sorghum production forecast for 1980 indicated a crop of 553 million bushels, down nearly a third from 1979/80, and the smallest production since 1964. The sorghum yield of 44 bushels per acre is 19 bushels below last year's record. Total feed grain production for 1980, at 197 million tons, is 16 percent below 1979's and nearly 10 percent below last month's forecast.

Domestic use and export forecasts were reduced from July's because of expected tighter feed grain supplies and sharply higher prices (Table 3). Feed grain exports are now projected at 71 million tons, the same as for 1979/80, but 3 million below last month's forecast. The higher feed grain prices will squeeze feeding margins and likely result in the first decline in domestic usage in 4 years.

Carryover stocks of feed grains are now expected to fall to their lowest level since 1976/77. Projected stocks of 31 million tons are a fifth below the July forecast, and more than 40 percent below the year-earlier level.

Feed grain prices will be higher than indicated in July, mainly because of the poorer crop prospects and a sharp drawdown in stocks. Corn prices at the farm for the 1980/81 season are expected to average from \$2.90 to \$3.40 per bushel, compared with a range of \$2.45 to \$2.85 last month and \$2.50 per bushel in 1978/80.

##### *Wheat*

The wheat supply-utilization outlook showed little change during July, though the price forecast was raised to reflect the increase in the wheat reserve release and call prices and the general strengthening in commodity prices (Table 5). Total wheat production, as of August 1, was forecast at 2.32 billion bushels, virtually unchanged from July and 9 percent more than in 1979. Since last month, increases in the estimates of winter wheat and Durum production have been partially offset by a reduction in the estimate for other spring wheat. As of August 10, winter wheat harvesting was 91 percent complete while spring wheat harvesting was 40 percent

complete. With harvesting this far along, the final production estimate will likely show little change from the August forecast.

The wheat feed use estimate was increased to 125 million bushels, 25 million above the July forecast, because of much tighter sorghum supplies than earlier expected. Total use of wheat in 1980/81 will likely fall about 50 million bushels short of production, pushing stocks to around 950 million by the end of the 1980/81 season.

Wheat prices at the farm for the 1980/81 marketing year are now expected to average from \$3.90 to \$4.25 per bushel compared with the previous estimate of \$3.75 to \$4.25 and a 1979/80 price of \$3.82.

Soil moisture supplies in the major winter-wheat producing States are still short as the planting season nears for the 1981 winter wheat crop.

The announcement on August 15 of no set-aside program for U.S. wheat producers in 1981 marks the second year in a row without wheat production restraints. Reduced stocks and growing utilization of grain worldwide point to the need for unlimited production in the United States.

#### *Rice*

U.S. rice production for 1980 is forecast at a record 146 million cwt., 7 percent above 1979's. Harvested acreage is up 12 percent from last year's, more than offsetting an expected 4-percent decline in yield. The sharpest decline is expected in California, where yields may be down 15 percent from last year's record. Total supplies are projected at 178 million cwt., up 6 percent from 1979/80's.

Domestic use of rice in 1980/81 is expected to continue to trend upward by about 5 percent, reaching 53 million cwt. U.S. rice exports are projected to total a record 87 million cwt. as world rice trade will likely remain at near record levels. Growing import requirements in a number of African countries and the likelihood of continued large purchases by the Republic of Korea are the main reasons for an expected 4 million cwt. increase in U.S. exports in 1980/81.

Though total use of U.S. rice is forecast to be up nearly 7 million cwt. in 1980/81, use will probably fall short of production, suggesting a modest buildup in stocks. With the marketing season just beginning, prices could range from \$9.50 to \$11.50 per cwt. for 1980/81, compared with \$10.60 in 1979/80.

#### *Oilseeds*

*Soybeans*—U.S. soybean production is forecast to be 1.88 billion bushels for 1980/81 compared to 2.268 billion bushels in 1979/80. Factors are a sharp drop in yields, to 27.4 bushels per acre from the 32.2 bushels per acre of 1979/80, and a 2-million-acre projected decline in harvested area. Hot, dry weather during late June and through July over the south central and central Plains States is the main cause of the yield drop.

A soybean crop of the size predicted would lead to significant price increases for soybeans and products in 1980/81 with soybean prices at the producer level likely averaging around \$7.75 per bushel. Stocks will be drawn down, but remain modestly above pipeline needs, at near 300 million bushels (Table 6).

In the event that crop growing conditions should deteriorate further, prices would average much higher, with each additional 100-million-bushel decline increasing farm prices by 60 or 80 cents per bushel. However, weather conditions during the first 2 weeks of August would suggest that soybean growing conditions have stabilized with little or no change in U.S. average crop yields since August 1 (Fig. 9). Rainfall has generally been normal to a little above normal in many growing areas the past 2 weeks. But heat has continued to be a source of concern as most of the southern and midwestern States continue to experience above-average temperatures that keep soybean crops under some stress in many areas. Yields could deteriorate somewhat further in States such as Arkansas and Georgia and the southern portions of Indiana and Illinois where rainfall has been less than adequate and temperatures above normal.

*Sunflowerseed*.—Sunflowerseed output remains quite uncertain as growing conditions in the major producing States of North Dakota, South Dakota, and Minnesota remain only fair to poor on about two-thirds of the acreage. In North Dakota, which normally produces 55 percent of the U.S. crop, only 19 percent of the crop is rated good while 66 percent is rated fair and 15 percent is rated poor. Growing conditions have not changed significantly since August 1 but crop growth is behind schedule with only 51 percent of the sunflowers in bloom, compared with 71 percent normally. Below-average temperatures in this area in early August slowed development and raised the risk of early frost damage.

*Peanuts*.—Peanut yields and production should be down a little over 6 percent of the 1980 crop from 1979's. Nearly half of the total projected production decline was in Georgia, with Texas experiencing the largest percentage decline in yields and

output. Reduced output of peanuts is expected to result in a tight demand-supply balance for 1980/81, with supplies available for crushing sharply reduced from 1979/80 when supplies were in excess and prices for peanuts used for crushing declined sharply.

With the temperatures averaging above normal and rainfall below normal for the first 2 weeks of August in Georgia, peanut yields from non-irrigated crops (40 percent of total) could decline further. The Georgia crop was in the moisture-sensitive pegging stage by the second week of August and in need of rainfall.

#### *Cotton*

U.S. cotton production prospects likely deteriorated further during the first 2 weeks of August as hot, dry weather persisted in major producing regions. Conditions, however, moderated somewhat from July extremes. For example, although remaining above normal, temperatures averaged a few degrees cooler than in July. Also, light scattered showers fell in some areas, but the moisture was not adequate to relieve dry conditions.

Conversely, heavy downpours and high winds from Hurricane Allen destroyed some cotton in south Texas. It is estimated most of the unharvested cotton in the Lower Rio Grande Valley and Coastal Bend areas—placed at 50,000 to 100,000 bales by most industry sources—was destroyed. In addition, a small percentage of cotton stored in ginyards and modules was lost. More moderate rain in central Texas was received too late to benefit the crop since harvest was underway.

The Texas High Plains and Oklahoma dryland crops remain under severe stress. It is likely that some acreage was abandoned and potential yields further reduced in early August. Most analysts now feel that it is too late for the crop to respond to additional moisture. However, rain would benefit fields now receiving supplemental irrigation. Overall, the irrigated crop in this region is rated fair to good.

Cotton is rated poor to fair in Missouri, Georgia, and South Carolina, with rain urgently needed in these States.

It should be noted that more favorable production conditions in other areas of the Cotton Belt—particularly the Delta and Far West—could partially offset the adverse weather. Thus, U.S. production prospects during the first 2 weeks of August may have deteriorated only slightly from August 1 indications of 12.8 million bales.

Even so, an extremely tight supply-demand balance is shaping up for cotton during 1980/81 (Table 7). With lower beginning stocks and a 12-percent smaller crop, prospective supplies are down sharply from last season. Expected disappearance also down this season, reflecting both smaller U.S. mill use (estimated at 6 million bales) and exports (6.8 million). With anticipated disappearance about in line with the 1980 crop, the carryover at the end of the season is expected to remain close to beginning stocks of 2.8 million bales.

Cotton prices have increased sharply over the past year, primarily reflecting exceedingly strong export demand during the latter half of 1979/80. More recently, tight supplies have added further support to the market. The current spot market price of 85 cents per pound is up from 62 cents a year earlier.

#### *Other crops*

Fruit crops generally remain in good condition in most major producing areas. Hot weather in California has caused some quality deterioration in peaches and put stress on grape vines. In Oregon and Washington, apples, peaches and pears continue mostly in good condition.

Noncitrus crops in Michigan and New York are doing well, although dry weather has limited sizing of early varieties of peaches in Pennsylvania and New Jersey. Florida citrus groves generally remain in good to excellent condition.

Major vegetable producing areas generally have had adequate moisture, although dry weather has reduced summer potato prospects in Texas and parts of the Southeast. There has been stress on the important fall potato crop in the Red River Valley; but in Idaho and the Northeast, potato crops generally remain in good shape.

Sugar production prospects in early August remain about unchanged, with the exception of the coastal areas of south Texas which were hit by Hurricane Allen. Preliminary private trade estimates place the damage to the sugarcane crop at 10 to 20 percent between Brownsville and McAllen. The sugarbeet crop continues under stress in the Red River Valley although widespread shower activity brought some temporary relief during the first 2 weeks of August.

#### *Livestock and poultry*

Hot, dry conditions continue to hurt the livestock and poultry industries. Poultry death losses due to the extreme heat have moderated considerably during the past few weeks and livestock death losses due to heat continue to be very small. High

temperatures, however, continue to slow rates of gain for livestock and poultry. Broiler slaughter weights have been off and the marketing of some hogs has been delayed because of poor rates of gain.

The major impact on future livestock and poultry production will stem from sharply reduced feed supplies and higher feed costs. The recent sharp rise in feed prices due to prospects for smaller crops is increasing production costs (Table 8). Higher feed expenses will have only a minor impact on the level of meat production for the rest of 1980, but a much greater impact on 1981 production can be anticipated.

Pasture and range conditions deteriorated rapidly during July (Fig. 10). On August 1, 1980, the U.S. pasture and range condition index was 60 (a rating of very poor) compared with 84 (good to excellent) a year earlier. Pasture and range conditions in Arkansas, Kansas, Missouri, North Dakota, South Dakota, and Texas were rated as severe to extreme drought. Most other States across the South and through the Central Plains States had very poor pasture and range conditions with parts of these States showing severe to extreme drought. Since August 1, very light precipitation has been scattered with high temperatures across most of the southern States, causing further deterioration of pasture and range conditions (Fig. 10).

Continued deterioration of grazing conditions in July and August forced movement of many cattle. Some have gone to slaughter but more went either to areas with available grazing or to feedlots. Slaughter of steers and heifers off grass (nonfeds) continue above the level expected before the drought conditions began. However, no big surge in cattle slaughter has taken place through mid-August to indicate a massive movement of these cattle to slaughter.

The number of cattle going into feedlots has risen during the last 2 months. Placements of cattle on feed in the 7 major cattle feeding States during July was up 25 percent from the low level of a year earlier, but still 3 percent less than in July 1978. Very limited grazing availability in many areas contributed to this increase in placements. Feedlot placements likely will continue above the year-earlier level for the next few months, but higher grain prices will moderate the rate of increase.

Because of a severe cost-price squeeze, pork and broiler producers were planning to reduce their output even before the drought began and feed costs started to rise. On June 1, 1980, the number of hogs and pigs kept for breeding was down 8 percent from a year earlier. With tighter feed supplies and higher costs than were anticipated around June 1, hog producers may cut back more than they had intended. This sharper cutback may occur despite the July and August increase in hog prices. In the next few weeks, a seasonal rise in hog slaughter is anticipated, partly due to hogs having been delayed from marketing because of the hot weather. This seasonal rise in hog slaughter would have a depressing effect on hog prices.

In some of the major production areas, broiler producers have recently suffered significant losses in weekly production because of reduced slaughter weights and broiler deaths due to heat. This has resulted in substantially higher prices from earlier this summer. Since death losses have begun to moderate and slaughter weights are increasing, production is now expected to rise.

While the higher prices resulting from the smaller supplies have provided some incentive for expanded broiler production, this incentive is being dampened by current and expected sharp increases in feed costs. Reductions in the size of the breeder supply flock which took place before the heat wave plus losses of breeder hens due to heat will also reduce broiler producers' ability to quickly expand production.

Several months ago, before small feed crops and sharply higher feed costs were in prospect, lower meat supplies were expected for 1981. As the dry, hot weather has adversely affected feed supplies and livestock and poultry production, these declines—at least through first half 1981—will now be greater than anticipated. Meat prices in first half 1981 are expected to increase rapidly, particularly when compared to the low prices of first-half 1980. Weather conditions during the next few weeks in areas where overwintering of cattle on grazing is common could have a major impact on 1981 meat supplies and prices. Future developments in grain and soybean supplies and prices also will have an impact on 1981 meat supplies and prices.

#### FOOD SUPPLIES AND PRICES

Prospective commodity supplies have tightened over the past month and prices have risen significantly. Production of major crops is now expected to fall around a tenth from the 1979/80 level, compared with a decline of about 5 percent expected on July 1. Prospective production varies considerably among crops. Food grain supplies are increasing about 5 percent due to the record winter wheat crop and even with larger 1980/81 use, season-ending stocks may increase slightly.

Feed grain crops, however, are expected to be down around 15 percent and, in spite of larger 1980/81 carryin stocks, total supplies likely will be down around a tenth with ending stocks down sharply. Oilseed supplies also are being supplemented by record-beginning stocks, but season-ending stocks will be cut around one-fourth.

The tighter feed and oilseed supplies will not have a major effect on retail food supplies and prices until 1981, by which time livestock and poultry producers will have adjusted output in line with the higher feed costs they will be experiencing for the remainder of 1980 and 1981.

A sharp increase is still expected for retail food prices in the third quarter of this year, primarily because of a seasonal decline in pork and broiler production that had already been expected in response to low producer prices during the last half of 1979 and the first half of 1980. Meat demand has dropped off with the decline in economic activity. However, the impact has been lessened by record large third quarter transfer payments in the form of greater Social Security benefits and unemployment compensation. In the face of seasonally lower meat supplies, this has contributed to a stronger price picture. Seasonal increases in commodity supplies this fall will moderate food price rises.

The outlook during the first half of 1981 calls for a year-to-year decline in total meat supplies, primarily because of a sharp decline in pork and poultry production. Food prices during the first half of 1981 will continue well above year-earlier levels, perhaps matching or exceeding the increase in overall consumer prices. Because of the drought's adverse impact on meat supplies in 1981, meat prices can now be expected to rise more than they would have in the absence of the drought.

Domestic and world feed crop supply and price developments over the next few months will be critical in determining food supplies and prices throughout 1981. If feed price gains outpace livestock and poultry prices in coming months, producers again will be put in a cost-price squeeze. This could cause an even larger cutback in production in 1981, which would result in significantly higher meat prices than might otherwise have been expected in 1981.

#### DROUGHT ASSISTANCE PROGRAMS

A number of USDA drought assistance programs—principally emergency livestock feed, natural disaster payments, and economic emergency loans—that are already in existence are being put into operation for farmers who have incurred substantial losses because of the drought and heat wave.

The table following reflects participation in some major assistance programs directly as a result of the drought.

#### COUNTIES DECLARED ELIGIBLE FOR USDA EMERGENCY PROGRAMS

| State               | FmHA drought emergency loans (thru Aug. 15) | ASCS emergency (thru Aug. 12) |                       | Total counties in State |
|---------------------|---------------------------------------------|-------------------------------|-----------------------|-------------------------|
|                     |                                             | Feed payments                 | Conservation programs |                         |
| Alabama.....        | <sup>1</sup> 67                             | 4                             | 1                     | 67                      |
| Arkansas.....       | <sup>1</sup> 75                             | 60                            | 1                     | 75                      |
| Florida.....        | 1                                           | 0                             | 0                     | 67                      |
| Georgia.....        | 153                                         | 31                            | 0                     | 158                     |
| Illinois.....       | 0                                           | 0                             | 1                     | 102                     |
| Indiana.....        | 2                                           | 0                             | 0                     | 92                      |
| Iowa.....           | 0                                           | 1                             | 12                    | 99                      |
| Kansas.....         | 37                                          | 20                            | 0                     | 105                     |
| Louisiana.....      | 9                                           | 11                            | 0                     | 64                      |
| Minnesota.....      | 24                                          | 14                            | 30                    | 87                      |
| Mississippi.....    | 7                                           | 1                             | 0                     | 82                      |
| Missouri.....       | <sup>1</sup> 114                            | 79                            | 0                     | 114                     |
| Montana.....        | 21                                          | 24                            | 10                    | 57                      |
| New Mexico.....     | 0                                           | 16                            | 0                     | 32                      |
| North Carolina..... | 2                                           | 3                             | 0                     | 100                     |
| North Dakota.....   | <sup>1</sup> 53                             | 52                            | 4                     | 53                      |
| Oklahoma.....       | <sup>1</sup> 77                             | 15                            | 2                     | 77                      |
| South Carolina..... | 14                                          | 0                             | 0                     | 46                      |
| South Dakota.....   | 52                                          | 21                            | 2                     | 67                      |
| Tennessee.....      | <sup>1</sup> 95                             | 31                            | 0                     | 95                      |
| Texas.....          | 113                                         | 26                            | 4                     | 254                     |

## COUNTIES DECLARED ELIGIBLE FOR USDA EMERGENCY PROGRAMS—Continued

| State         | FmHA drought emergency loans (thru Aug. 15) | ASCS emergency (thru Aug. 12) |                       | Total counties in State |
|---------------|---------------------------------------------|-------------------------------|-----------------------|-------------------------|
|               |                                             | Feed payments                 | Conservation programs |                         |
| Virginia..... | 46                                          | 3                             | 0                     | 95                      |
| Wyoming.....  | 1                                           | 3                             | 1                     | 23                      |
| Total.....    | 963                                         | 415                           | 68                    | 1,958                   |

<sup>1</sup> Entire State.

#### Emergency livestock feed program

Livestock owners whose normal feed production is cut at least 40 percent may receive financial assistance through the Agricultural Stabilization and Conservation Service's emergency feed program, up to half the cost of the additional feed they must buy. As of August 12, 415 counties in 19 States had been declared eligible for this program.

#### Emergency loans

USDA is making emergency loans at 5 percent interest through its Farmers Home Administration to farmers whose production has been cut by at least 20 percent in an area declared a natural disaster area and to those who cannot obtain credit elsewhere. As of August 15, 963 counties in 20 States had been declared eligible for these loans.

#### Emergency conservation program

As of August 12, 68 counties in 11 States were participating in an emergency conservation program to give farmers financial assistance in obtaining and transporting emergency water supplies.

#### Prevented-planting and low-yield payments

Farmers who are prevented from planting a substantial portion of their wheat, rice, feed grain, or cotton crops because of the drought can apply to their ASCS offices for special assistance. Farmers who suffer losses in yields from the hot, dry weather can also apply.

Payments to farmers under these programs vary by crop, but are generally 1/3 to 1/2 of the target price level for 60-75 percent of the farm's normal yield for each crop.

#### Crop insurance

USDA's Federal Crop Insurance Corporation (FCIC) is anticipating its largest payments ever during the 1980 crop year. Indemnities that FCIC expects to pay to producers will be about \$208.3 million this year, while premiums paid by producers amount to about \$139.4 million. Last year premiums exceeded indemnities by about \$34 million.

TABLE 1.—CROP, MILK, AND POULTRY PRODUCTION, AND LIVESTOCK SLAUGHTER FOR THE UNITED STATES AND SELECTED STATES <sup>1 2 3</sup>

| Item                          | Corn  | Sor-<br>ghum | Soy-<br>beans | All<br>cotton | Durum | Other<br>spring<br>wheat | Milk | Broilers | Commercial<br>slaughter |        |
|-------------------------------|-------|--------------|---------------|---------------|-------|--------------------------|------|----------|-------------------------|--------|
|                               |       |              |               |               |       |                          |      |          | Hogs                    | Cattle |
| Texas:                        |       |              |               |               |       |                          |      |          |                         |        |
| Production.....               | 108.0 | 174.8        | 14.0          | 4.3           |       |                          | 3.4  | 0.8      | 1,348                   | 5,391  |
| Percent of United States..... | 1.6   | 31.6         | .7            | 33.6          |       |                          | 2.8  | 5.2      | 1.5                     | 16.0   |
| Harvested acres.....          | 1.4   | 3.8          | .6            | 6.7           |       |                          |      |          |                         |        |
| Percent of United States..... | 2.0   | 30.2         | .9            | 50.4          |       |                          |      |          |                         |        |
| Oklahoma:                     |       |              |               |               |       |                          |      |          |                         |        |
| Production.....               | 4.1   | 16.0         | 5.6           | .4            |       |                          | 1.1  | .1       | 1,070                   | 536    |
| Percent of United States..... | .1    | 2.9          | .3            | 3.1           |       |                          | .9   | .6       | 1.2                     | 1.2    |
| Harvested acres.....          | .1    | .5           | .3            | .6            |       |                          |      |          |                         |        |
| Percent of United States..... | .1    | 4.0          | .4            | 4.5           |       |                          |      |          |                         |        |
| Kansas:                       |       |              |               |               |       |                          |      |          |                         |        |
| Production.....               | 106.2 | 144.3        | 25.8          |               |       |                          | 1.3  |          | 1,405                   | 2,784  |

TABLE 1.—CROP, MILK, AND POULTRY PRODUCTION, AND LIVESTOCK SLAUGHTER FOR THE UNITED STATES AND SELECTED STATES <sup>1 2 3</sup>—Continued

| Item                           | Corn    | Sor-<br>ghum | Soy-<br>beans | All<br>cotton | Durum | Other<br>spring<br>wheat | Milk | Broilers | Commercial<br>slaughter |        |
|--------------------------------|---------|--------------|---------------|---------------|-------|--------------------------|------|----------|-------------------------|--------|
|                                |         |              |               |               |       |                          |      |          | Hogs                    | Cattle |
| Percent of United States ..... | 1.6     | 26.1         | 1.4           |               |       |                          | 1.1  |          | 1.6                     | 8.3    |
| Harvested acres .....          | 1.2     | 3.9          | 1.5           |               |       |                          |      |          |                         |        |
| Percent of United States ..... | 1.7     | 31.0         | 2.2           |               |       |                          |      |          |                         |        |
| Arkansas:                      |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 2.0     | 9.9          | 82.3          | .6            |       |                          | .7   | 2.5      | 235                     | 148    |
| Percent of United States ..... |         | 1.8          | 4.4           | 4.7           |       |                          | .6   | 16.1     | .3                      | .4     |
| Harvested acres .....          | .1      | .2           | 4.6           | .8            |       |                          |      |          |                         |        |
| Percent of United States ..... | .1      | 1.6          | 6.7           | 6.0           |       |                          |      |          |                         |        |
| Missouri:                      |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 90.0    | 45.2         | 117.6         | .2            |       |                          | 2.7  | .1       | 3,017                   | 786    |
| Percent of United States ..... | 1.4     | 8.2          | 6.3           | 1.6           |       |                          | 2.2  | .6       | 3.4                     | 2.3    |
| Harvested acres .....          | 2.0     | .9           | 5.6           | .2            |       |                          |      |          |                         |        |
| Percent of United States ..... | 2.8     | 7.1          | 8.2           | 1.5           |       |                          |      |          |                         |        |
| Nebraska:                      |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 632.4   | 102.3        | 48.1          |               |       |                          | 1.3  |          | 4,377                   | 5,086  |
| Percent of United States ..... | 9.5     | 18.5         | 2.6           |               |       |                          | 1.1  |          | 4.9                     | 15.1   |
| Harvested acres .....          | 6.8     | 1.9          | 1.8           |               |       |                          |      |          |                         |        |
| Percent of United States ..... | 9.5     | 15.1         | 2.6           |               |       |                          |      |          |                         |        |
| Georgia:                       |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 52.0    | 2.7          | 45.6          | .2            |       |                          | 1.3  | 2.1      | 2,088                   | 260    |
| Percent of United States ..... | .8      | .5           | 2.4           | 1.6           |       |                          | 1.1  | 13.5     | 2.3                     | .8     |
| Harvested acres .....          | 1.3     | .8           | 2.3           | .2            |       |                          |      |          |                         |        |
| Percent of United States ..... | 1.8     | 6.3          | 3.4           | 1.5           |       |                          |      |          |                         |        |
| Louisiana:                     |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 1.6     | .6           | 81.6          | .6            |       |                          | 1.0  | .4       | 199                     | 106    |
| Percent of United States ..... |         | .1           | 4.3           | 4.7           |       |                          | .8   | 2.6      | .2                      | .3     |
| Harvested acres .....          | (*)     | (*)          | 3.4           | .6            |       |                          |      |          |                         |        |
| Percent of United States ..... |         |              | 5.0           | 4.5           |       |                          |      |          |                         |        |
| Mississippi:                   |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 3.8     | 1.4          | 83.0          | 1.3           |       |                          | .8   | 1.1      | 1,865                   | 183    |
| Percent of United States ..... | .1      | .3           | 4.4           | 10.2          |       |                          | .6   | 7.1      | 2.1                     | .5     |
| Harvested acres .....          | .1      | (*)          | 4.0           | 1.1           |       |                          |      |          |                         |        |
| Percent of United States ..... | .1      |              | 5.8           | 8.3           |       |                          |      |          |                         |        |
| Alabama:                       |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 16.8    | 1.1          | 46.2          | .3            |       |                          | .6   | 1.9      | 652                     | 179    |
| Percent of United States ..... | .3      | .2           | 2.5           | 2.3           |       |                          | .5   | 12.2     | .7                      | .5     |
| Harvested acres .....          | .4      | (*)          | 2.2           | .3            |       |                          |      |          |                         |        |
| Percent of United States ..... | .6      |              | 3.2           | 2.3           |       |                          |      |          |                         |        |
| South Dakota:                  |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 114.4   | 5.8          | 17.4          |               | 3.4   | 31.2                     | 1.6  |          | 3,232                   | 552    |
| Percent of United States ..... | 1.7     | 1.0          | .9            |               | 3.4   | 8.8                      | 1.3  |          | 3.6                     | 1.6    |
| Harvested acres .....          | 2.2     | .2           | .7            |               | .2    | 2.1                      |      |          |                         |        |
| Percent of United States ..... | 3.1     | 1.6          | 1.0           |               | 4.2   | 14.2                     |      |          |                         |        |
| North Dakota:                  |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 15.0    |              | 3.6           |               | 70.2  | 110.2                    | .9   |          | 27                      | 57     |
| Percent of United States ..... | .2      |              | .2            |               | 70.1  | 31.1                     | .7   |          |                         | .2     |
| Harvested acres .....          | .3      |              | .2            |               | 3.9   | 5.8                      |      |          |                         |        |
| Percent of United States ..... | .4      |              | .3            |               | 81.2  | 39.2                     |      |          |                         |        |
| Montana:                       |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | .4      |              |               |               | 4.6   | 51.0                     | .3   |          | 462                     | 151    |
| Percent of United States ..... |         |              |               |               | 4.6   | 14.4                     | .2   |          | .5                      | .4     |
| Harvested acres .....          | (*)     |              |               |               | .4    | 2.6                      |      |          |                         |        |
| Percent of United States ..... |         |              |               |               | 8.3   | 17.6                     |      |          |                         |        |
| Minnesota:                     |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 548.7   |              | 147.2         |               | 3.4   | 92.4                     | 9.1  | .1       | 5,346                   | 1,041  |
| Percent of United States ..... | 8.3     |              | 7.8           |               | 3.4   | 26.1                     | 7.4  | .6       | 6.0                     | 3.1    |
| Harvested acres .....          | 5.9     |              | 4.8           |               | .1    | 3.0                      |      |          |                         |        |
| Percent of United States ..... | 8.3     |              | 7.0           |               | 2.1   | 20.3                     |      |          |                         |        |
| Total above:                   |         |              |               |               |       |                          |      |          |                         |        |
| Production .....               | 1,695.4 | 504.1        | 718.0         | 7.9           | 81.6  | 284.8                    | 26.1 | 9.1      | 25,323                  | 17,260 |

TABLE 1.—CROP, MILK, AND POULTRY PRODUCTION, AND LIVESTOCK SLAUGHTER FOR THE UNITED STATES AND SELECTED STATES <sup>1 2 3</sup>—Continued

| Item                           | Corn    | Sor-<br>ghum | Soy-<br>beans | All<br>cotton | Durum | Other<br>spring<br>wheat | Milk  | Broilers | Commercial<br>slaughter |        |
|--------------------------------|---------|--------------|---------------|---------------|-------|--------------------------|-------|----------|-------------------------|--------|
|                                |         |              |               |               |       |                          |       |          | Hogs                    | Cattle |
| Percent of United States ..... | 25.5    | 91.2         | 38.2          | 61.7          | 81.4  | 80.3                     | 21.1  | 58.7     | 28.4                    | 51.3   |
| Harvested acres .....          | 21.8    | 12.2         | 32.0          | 10.5          | 4.6   | 13.5                     | ..... | .....    | .....                   | .....  |
| Percent of United States ..... | 30.5    | 96.8         | 46.6          | 78.9          | 95.8  | 91.2                     | ..... | .....    | .....                   | .....  |
| United States:                 |         |              |               |               |       |                          |       |          |                         |        |
| Production .....               | 6,645.9 | 552.7        | 1,880.3       | 12.8          | 100.2 | 354.5                    | 123.6 | 15.5     | 89,099                  | 33,678 |
| Harvested acres .....          | 71.4    | 12.6         | 68.6          | 13.3          | 4.8   | 14.8                     | ..... | .....    | .....                   | .....  |

<sup>1</sup> State totals represent production and slaughter for the entire State, not just areas affected by the dry, hot weather.

<sup>2</sup> August projections for 1980 production for all crops; 1979 production for milk and broilers; and 1979 commercial slaughter for cattle and hogs.

<sup>3</sup> Million bushels for all crops except cotton, which is million bales; million acres for all crops; 1,000 head for livestock; billion pounds for broilers; and billion pounds for milk.

<sup>4</sup> Less than 50,000 acres.

TABLE 2.—WORLD GRAINS AND SOYBEANS: SUPPLY AND UTILIZATION, 1970-71 TO 1980-81

| Item                                         | Unit                | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80  | 1980-81 projected |        |
|----------------------------------------------|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|-------------------|--------|
|                                              |                     |         |         |         |         |         |         |         |         |         | estimate | July              | August |
| <b>Total grains (including milled rice):</b> |                     |         |         |         |         |         |         |         |         |         |          |                   |        |
| Beginning stocks.....                        | Million metric tons | 205     | 166     | 183     | 141     | 147     | 134     | 140     | 194     | 192     | 228      | 199               | 199    |
| Production.....                              | do                  | 1,100   | 1,190   | 1,156   | 1,260   | 1,212   | 1,239   | 1,354   | 1,336   | 1,455   | 1,399    | 1,453             | 1,430  |
| Total supply.....                            | do                  | 1,305   | 1,356   | 1,339   | 1,401   | 1,359   | 1,373   | 1,494   | 1,530   | 1,647   | 1,627    | 1,652             | 1,629  |
| Utilization.....                             | do                  | 1,139   | 1,173   | 1,198   | 1,254   | 1,225   | 1,233   | 1,298   | 1,339   | 1,419   | 1,428    | 1,453             | 1,442  |
| Ending stocks.....                           | do                  | 166     | 183     | 141     | 147     | 134     | 140     | 196     | 191     | 228     | 199      | 199               | 188    |
| Stocks/use ratio.....                        | Percent             | 14.6    | 15.9    | 11.8    | 11.7    | 10.9    | 11.4    | 15.1    | 14.3    | 16.1    | 13.9     | 13.7              | 13.0   |
| World trade.....                             | Million metric tons | 109     | 109     | 134     | 142     | 136     | 151     | 156     | 166     | 174     | 197      | 200               | 198    |
| <b>Wheat:</b>                                |                     |         |         |         |         |         |         |         |         |         |          |                   |        |
| Beginning stocks.....                        | do                  | 97      | 74      | 81      | 63      | 70      | 64      | 62      | 100     | 83      | 106      | 87                | 87     |
| Production.....                              | do                  | 316     | 349     | 343     | 372     | 357     | 350     | 416     | 383     | 448     | 419      | 444               | 443    |
| Total supply.....                            | do                  | 413     | 423     | 424     | 435     | 427     | 414     | 478     | 483     | 531     | 525      | 531               | 530    |
| Utilization.....                             | do                  | 339     | 342     | 361     | 365     | 363     | 352     | 378     | 400     | 424     | 438      | 437               | 438    |
| Ending stocks.....                           | do                  | 74      | 81      | 63      | 70      | 64      | 62      | 100     | 83      | 106     | 87       | 94                | 92     |
| Stocks/use ratio.....                        | Percent             | 21.8    | 23.7    | 17.4    | 19.2    | 17.4    | 17.6    | 26.5    | 20.6    | 25.0    | 19.9     | 21.5              | 21.0   |
| World trade.....                             | Million metric tons | 55      | 52      | 67      | 63      | 64      | 67      | 63      | 73      | 71      | 85       | 86                | 87     |
| <b>Coarse grains:</b>                        |                     |         |         |         |         |         |         |         |         |         |          |                   |        |
| Beginning stocks.....                        | do                  | 89      | 73      | 86      | 68      | 64      | 58      | 57      | 77      | 86      | 95       | 88                | 90     |
| Production.....                              | do                  | 576     | 629     | 609     | 668     | 628     | 645     | 703     | 704     | 748     | 728      | 743               | 721    |
| Total supply.....                            | do                  | 665     | 702     | 695     | 736     | 692     | 703     | 760     | 781     | 834     | 823      | 831               | 811    |
| Utilization.....                             | do                  | 592     | 616     | 627     | 672     | 634     | 644     | 683     | 694     | 739     | 733      | 751               | 738    |
| Ending stocks.....                           | do                  | 73      | 86      | 68      | 64      | 58      | 57      | 77      | 86      | 95      | 90       | 80                | 72     |
| Stocks/use ratio.....                        | Percent             | 12.2    | 14.0    | 10.9    | 9.5     | 9.2     | 8.9     | 11.3    | 12.4    | 12.9    | 12.0     | 10.7              | 9.8    |
| World trade.....                             | Million metric tons | 46      | 49      | 59      | 71      | 64      | 76      | 82      | 84      | 90      | 99       | 102               | 99     |

TABLE 2.—WORLD GRAINS AND SOYBEANS: SUPPLY AND UTILIZATION, 1970-71 TO 1980-81—Continued

| Item                           | Unit                     | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80<br>estimate | 1980-81 projected |        |
|--------------------------------|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------------|-------------------|--------|
|                                |                          |         |         |         |         |         |         |         |         |         |                     | July              | August |
| Soybeans:                      |                          |         |         |         |         |         |         |         |         |         |                     |                   |        |
| Beginning stocks.....          | .....do.....             | 7.2     | 3.5     | 3.0     | 2.8     | 5.9     | 6.6     | 8.2     | 4.4     | 6.3     | 6.7                 | 12.5              | 13.0   |
| Production.....                | .....do.....             | 42.4    | 46.4    | 51.4    | 63.9    | 56.6    | 67.9    | 61.3    | 72.5    | 77.8    | 94.4                | 89.3              | 84.9   |
| Total supply.....              | .....do.....             | 49.6    | 49.9    | 54.4    | 66.7    | 62.5    | 74.5    | 69.5    | 76.9    | 84.1    | 101.1               | 101.8             | 97.9   |
| Crush.....                     | .....do.....             | 38.1    | 39.1    | 40.9    | 48.9    | 45.9    | 55.5    | 54.9    | 61.3    | 66.6    | 75.6                | 77.5              | 76.0   |
| Ending stocks.....             | .....do.....             | 3.5     | 3.0     | 2.8     | 5.9     | 6.6     | 8.2     | 4.4     | 6.3     | 6.7     | 13.0                | 11.9              | 10.4   |
| Stocks/use ratio.....          | Percent.....             | 9.2     | 7.7     | 6.8     | 12.0    | 14.5    | 13.9    | 8.0     | 10.2    | 10.1    | 17.2                | 15.4              | 13.6   |
| World trade <sup>1</sup> ..... | Million metric tons..... | 20.5    | 20.9    | 25.7    | 30.8    | 27.7    | 33.4    | 34.1    | 40.1    | 43.2    | 50.9                | 52.2              | 51.7   |

<sup>1</sup> Data for soybeans and soybean meal on soybean equivalent basis.

TABLE 3.—U.S. FEED GRAINS: SUMMARY OF SUPPLIES AND UTILIZATION, 1970-71 TO 1980-81

| Item                                          | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79   | 1979-80<br>estimate | 1980-81 projected |           |
|-----------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|---------------------|-------------------|-----------|
|                                               |         |         |         |         |         |         |         |         |           |                     | July              | August    |
| Acreage (million acres):                      |         |         |         |         |         |         |         |         |           |                     |                   |           |
| Set-aside (diverted).....                     | 37.4    | 18.2    | 36.6    | 9.4     | 121.2   | 122.5   | 128.8   | 128.9   | 4.9 + 3.4 | 3.2 + 1.5           |                   |           |
| Planted acreage.....                          | 118.8   | 127.6   | 114.8   | 121.0   | 99.8    | 104.5   | 106.3   | 108.0   | 104.5     | 101.2               | 120.8             | 120.8     |
| Harvested acreage.....                        | 99.3    | 106.0   | 93.7    | 101.9   | 99.8    | 104.5   | 106.3   | 108.0   | 104.5     | 101.2               | 103.4             | 100.3     |
| Yield/harvested acre (metric tons/acres)..... | 1.46    | 1.77    | 1.93    | 1.83    | 1.51    | 1.77    | 1.82    | 1.88    | 2.08      | 2.31                | 2.11              | 1.96      |
| Supply (million metric tons):                 |         |         |         |         |         |         |         |         |           |                     |                   |           |
| Beginning stocks.....                         | 45.5    | 31.6    | 45.4    | 30.8    | 21.5    | 15.3    | 17.2    | 29.9    | 41.2      | 45.9                | 52.1              | 53.4      |
| Production.....                               | 145.2   | 188.1   | 181.3   | 186.2   | 150.5   | 184.7   | 193.4   | 203.4   | 217.4     | 233.9               | 217.8             | 196.7     |
| Imports.....                                  | 0.4     | 0.4     | 0.5     | 0.2     | 0.5     | 0.4     | 0.3     | 0.3     | 0.3       | 0.3                 | 0.2               | 0.2       |
| Total supply.....                             | 191.1   | 220.1   | 227.2   | 217.2   | 172.5   | 200.4   | 211.0   | 233.6   | 258.9     | 280.0               | 270.1             | 250.3     |
| Utilization (million metric tons):            |         |         |         |         |         |         |         |         |           |                     |                   |           |
| Feed.....                                     | 126.1   | 135.5   | 141.7   | 139.3   | 105.4   | 116.1   | 112.6   | 117.3   | 133.1     | 134.8               | 132.5             | 125.2     |
| Food, seed, ind.....                          | 14.5    | 14.7    | 15.6    | 16.0    | 16.1    | 17.1    | 17.9    | 18.8    | 19.7      | 20.9                | 24.1              | 23.2      |
| Total domestic.....                           | 140.6   | 150.2   | 157.3   | 155.3   | 121.5   | 133.2   | 130.5   | 136.1   | 152.8     | 155.7               | 156.6             | 148.4     |
| Exports.....                                  | 18.9    | 24.5    | 39.1    | 40.4    | 35.7    | 50.0    | 56.3    | 60.2    | 70.9      | 74.2                | 74.2              | 71.0      |
| Total utilization.....                        | 159.5   | 174.7   | 196.4   | 195.7   | 157.2   | 183.2   | 181.1   | 192.4   | 213.0     | 226.6               | 230.8             | 219.4     |
| Ending stocks (million metric tons).....      | 31.6    | 45.4    | 30.8    | 21.5    | 15.3    | 17.2    | 29.9    | 41.2    | 45.9      | 53.4                | 39.3              | 30.9      |
| Reserves.....                                 |         |         |         |         |         |         |         |         |           |                     |                   |           |
| Stocks/use ratio (percent).....               | 19.8    | 26.0    | 15.7    | 11.0    | 9.7     | 9.4     | 16.5    | 21.4    | 21.5      | 23.6                | 17.0              | 14.1      |
| Prices (dollar/bushel) corn:                  |         |         |         |         |         |         |         |         |           |                     |                   |           |
| Target price/income support level.....        | 1.35    | 1.35    | 1.41    | 1.64    | 1.38    | 1.38    | 1.57    | 2.00    | 2.10      | 2.20                | 2.05-2.35         | 2.05-2.35 |
| Loan rate.....                                | 1.05    | 1.05    | 1.05    | 1.05    | 1.10    | 1.10    | 1.50    | 2.00    | 2.00      | 2.00                | 2.10              | 2.25      |
| Season average price.....                     | 1.33    | 1.08    | 1.57    | 2.55    | 3.03    | 2.54    | 2.15    | 2.02    | 2.25      | 2.50                | 2.45-2.85         | 2.90-3.40 |



TABLE 5.—U.S. WHEAT: SUMMARY OF SUPPLIES AND UTILIZATION, 1970-71 to 1980-81

| Item                                         | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80<br>estimate | 1980-81 projected |           |
|----------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------------|-------------------|-----------|
|                                              |         |         |         |         |         |         |         |         |         |                     | July              | August    |
| <b>Acreage (million acres):</b>              |         |         |         |         |         |         |         |         |         |                     |                   |           |
| Set-aside (diverted).....                    | 15.7    | 13.5    | 20.1    | 7.4     |         |         |         |         |         | 9.6                 |                   | 8.2       |
| Planted acreage.....                         | 48.7    | 53.8    | 54.9    | 59.3    | 71.0    | 74.8    | 80.2    | 75.1    | 66.3    | 71.6                | 80.9              | 80.9      |
| Harvested acreage.....                       | 43.6    | 47.7    | 47.3    | 54.1    | 65.4    | 69.4    | 70.8    | 66.5    | 56.9    | 62.6                | 72.9              | 71.6      |
| Yield/harvested acre (bushels).....          | 31.0    | 33.9    | 32.7    | 31.6    | 27.3    | 30.6    | 30.3    | 30.6    | 31.6    | 34.2                | 31.8              | 32.5      |
| <b>Supply (million bushels):</b>             |         |         |         |         |         |         |         |         |         |                     |                   |           |
| Beginning stocks.....                        | 983     | 823     | 983     | 597     | 340     | 435     | 665     | 1,112   | 1,177   | 925                 | 901               | 901       |
| Production.....                              | 1,352   | 1,619   | 1,546   | 1,711   | 1,782   | 2,122   | 2,142   | 2,036   | 1,798   | 2,142               | 2,317             | 2,325     |
| Imports.....                                 | 1       | 1       | 1       | 3       | 3       | 2       | 3       | 2       | 1       | 2                   | 2                 | 2         |
| Total supply.....                            | 2,336   | 2,443   | 2,530   | 2,311   | 2,125   | 2,559   | 2,810   | 3,150   | 2,976   | 3,069               | 3,220             | 3,228     |
| <b>Utilization (million bushels):</b>        |         |         |         |         |         |         |         |         |         |                     |                   |           |
| Feed and residual.....                       | 193     | 262     | 201     | 127     | 39      | 34      | 68      | 183     | 179     | 96                  | 100               | 125       |
| Food and seed.....                           | 579     | 587     | 598     | 626     | 633     | 687     | 680     | 666     | 678     | 697                 | 705               | 705       |
| Total domestic.....                          | 772     | 849     | 799     | 753     | 672     | 721     | 748     | 849     | 857     | 793                 | 805               | 830       |
| Exports.....                                 | 741     | 610     | 1,135   | 1,217   | 1,018   | 1,173   | 950     | 1,124   | 1,194   | 1,375               | 1,450             | 1,450     |
| Total utilization.....                       | 1,513   | 1,459   | 1,934   | 1,970   | 1,690   | 1,894   | 1,698   | 1,973   | 2,051   | 2,168               | 2,255             | 2,280     |
| <b>Ending stocks (million bushels)</b> ..... |         |         |         |         |         |         |         |         |         |                     |                   |           |
| Reserves.....                                | 823     | 983     | 597     | 340     | 435     | 665     | 1,112   | 1,177   | 925     | 901                 | 965               | 948       |
| Stocks/use ratio (percent).....              | 54.4    | 67.4    | 30.9    | 17.3    | 25.7    | 35.1    | 65.5    | 39.0    | 44.3    | 45.0                | 41.0              | 46.0      |
| <b>Prices (dollars/bushel):</b>              |         |         |         |         |         |         |         |         |         |                     |                   |           |
| Target price/income support level.....       | 2.82    | 2.93    | 3.02    | 3.39    | 2.05    | 2.05    | 2.29    | 2.90    | 3.40    | 3.40                | 3.08-3.63         | 3.08-3.63 |
| Loan rate.....                               | 1.25    | 1.25    | 1.25    | 1.25    | 1.37    | 1.37    | 2.25    | 2.25    | 2.35    | 2.50                | 2.50              | 3.00      |
| Season average price.....                    | 1.33    | 1.34    | 1.76    | 3.95    | 4.09    | 3.56    | 2.73    | 2.33    | 2.98    | 3.82                | 3.75-4.25         | 3.90-4.25 |

TABLE 6.—U.S. SOYBEANS AND PRODUCTS: SUMMARY OF SUPPLIES AND UTILIZATION, 1970-71 to 1980-81

| Item                                         | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80<br>estimate | 1980-81 projected |        |
|----------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------------|-------------------|--------|
|                                              |         |         |         |         |         |         |         |         |         |                     | July              | August |
| <b>Acreage (million acres):</b>              |         |         |         |         |         |         |         |         |         |                     |                   |        |
| Planted.....                                 | 43.1    | 43.4    | 46.9    | 56.5    | 52.5    | 54.6    | 50.2    | 58.8    | 64.4    | 71.6                | 70.3              | 70.3   |
| Harvested.....                               | 42.2    | 42.7    | 45.7    | 55.7    | 51.3    | 53.6    | 49.4    | 57.6    | 63.3    | 70.5                | 69.2              | 68.6   |
| Yield/harvest acres (bushels).....           | 26.7    | 27.5    | 27.8    | 27.8    | 23.7    | 28.9    | 26.1    | 30.6    | 29.5    | 32.2                | 27-32             | 27.4   |
| <b>Supply (million bushels):</b>             |         |         |         |         |         |         |         |         |         |                     |                   |        |
| Beginning stocks, September 1.....           | 230     | 99      | 72      | 60      | 171     | 188     | 245     | 103     | 161     | 174                 | 380               | 400    |
| Production.....                              | 1,127   | 1,176   | 1,271   | 1,547   | 1,216   | 1,547   | 1,288   | 1,762   | 1,870   | 2,268               | 1,875-2,505       | 1,880  |
| Total supply.....                            | 1,357   | 1,275   | 1,343   | 1,607   | 1,387   | 1,735   | 1,533   | 1,865   | 2,031,  | 2,442               | 2,255-2,585       | 2,280  |
| <b>Utilization (million bushels):</b>        |         |         |         |         |         |         |         |         |         |                     |                   |        |
| Crush.....                                   | 760     | 721     | 722     | 821     | 701     | 865     | 790     | 927     | 1,018   | 1,110               | 1,060-1,150       | 1,050  |
| Seed, feed, and residual.....                | 64      | 66      | 82      | 76      | 77      | 70      | 76      | 77      | 86      | 97                  | 95                | 95     |
| Exports.....                                 | 434     | 416     | 479     | 539     | 421     | 555     | 564     | 700     | 753     | 850                 | 825-900           | 835    |
| Total utilization.....                       | 1,258   | 1,203   | 1,283   | 1,436   | 1,199   | 1,490   | 1,430   | 1,704   | 1,857   | 2,057               | 1,980-2,145       | 1,980  |
| <b>Ending stocks (million bushels)</b>       |         |         |         |         |         |         |         |         |         |                     |                   |        |
| Stocks-use ratio (percent).....              | 99      | 72      | 60      | 171     | 188     | 245     | 103     | 161     | 174     | 400                 | 275-400           | 300    |
| Prices (dollars/bushel):                     | 7.9     | 6.0     | 4.7     | 11.9    | 15.7    | 16.4    | 7.2     | 9.4     | 9.4     | 19.4                | 13.9-20.5         | 15.2   |
| Loan rate.....                               | 2.25    | 2.25    | 2.25    | 2.25    | 2.25    | .....   | 2.50    | 3.50    | 4.50    | 4.50                | 4.50              | 5.02   |
| Season average price.....                    | 2.85    | 3.03    | 4.37    | 5.68    | 6.64    | 4.92    | 6.81    | 5.88    | 6.66    | 6.25                | 6.00-7.50         | 7.75   |
| Average soybean oil price (cents/pound)..... | 12.8    | 11.3    | 16.5    | 31.5    | 30.7    | 18.3    | 24.0    | 24.6    | 27.4    | 24.5                | 22.0-30.0         | 28.0   |
| Average soybean meal price (dollars/st)..... | 78.50   | 90.20   | 229.00  | 146.35  | 130.90  | 147.80  | 199.80  | 164.20  | 190.10  | 180.00              | 170.00-210.00     | 220.00 |

TABLE 7.—U.S. COTTON: SUMMARY OF SUPPLIES AND UTILIZATION, 1970-71 to 1980-81

| Item                                | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80<br>estimate | 1980-81 projected |                  |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------------|-------------------|------------------|
|                                     |         |         |         |         |         |         |         |         |         |                     | July              | August           |
| <b>Acreage (million):</b>           |         |         |         |         |         |         |         |         |         |                     |                   |                  |
| Set-aside (diverted).....           | 0       | 2.1     | 2.0     | 0       | 0       | 0       | 0       | 0       | 0.3     | 0                   | 0                 | 0                |
| Planted.....                        | 11.9    | 12.4    | 14.0    | 12.5    | 13.7    | 9.5     | 11.7    | 13.7    | 13.4    | 13.9                | 14.3              | 14.4             |
| Harvested.....                      | 11.2    | 11.5    | 13.0    | 12.0    | 12.5    | 8.8     | 10.9    | 13.3    | 12.4    | 12.8                | 13.0-13.9         | 13.3             |
| Yield/harvested acres—pounds.....   | 438     | 438     | 507     | 520     | 442     | 453     | 465     | 520     | 421     | 548                 | 445-515           | 461              |
| <b>Supply (million bales):</b>      |         |         |         |         |         |         |         |         |         |                     |                   |                  |
| Beginning stocks.....               | 5.8     | 4.2     | 3.3     | 4.2     | 3.8     | 5.7     | 3.7     | 2.9     | 5.3     | 4.0                 | 2.8               | 2.8              |
| Production.....                     | 10.2    | 10.5    | 13.7    | 13.0    | 11.5    | 8.3     | 10.6    | 14.4    | 10.9    | 14.6                | 12.2-14.7         | 12.8             |
| Total supply <sup>1</sup> .....     | 16.1    | 14.8    | 17.0    | 17.2    | 15.4    | 14.1    | 14.3    | 17.3    | 16.2    | 18.6                | 15.0-17.5         | 15.7             |
| <b>Utilization (million bales):</b> |         |         |         |         |         |         |         |         |         |                     |                   |                  |
| Mill use.....                       | 8.2     | 8.3     | 7.8     | 7.5     | 5.9     | 7.3     | 6.7     | 6.5     | 6.4     | 6.5                 | 5.5-6.5           | 6.0              |
| Exports.....                        | 3.9     | 3.4     | 5.3     | 6.1     | 3.9     | 3.3     | 4.8     | 5.5     | 6.2     | 9.4                 | 6.0-8.5           | 6.8              |
| Total use.....                      | 12.1    | 11.6    | 13.1    | 13.6    | 9.8     | 10.6    | 11.5    | 12.0    | 12.5    | 15.9                | 12.2-14.2         | 12.9             |
| Ending stocks (million bales).....  | 4.2     | 3.3     | 4.2     | 3.8     | 5.7     | 3.7     | 2.9     | 5.3     | 4.0     | 2.8                 | 2.8-5.0           | 2.9              |
| Stocks/use ratio (percent).....     | 34.7    | 28.4    | 32.1    | 27.9    | 58.2    | 34.9    | 25.2    | 44.2    | 32.0    | 17.6                | 23.0-35.2         | 22.5             |
| <b>Prices (cents/pound):</b>        |         |         |         |         |         |         |         |         |         |                     |                   |                  |
| Target.....                         |         |         |         |         | 38.0    | 38.0    | 43.2    | 47.8    | 52.0    | 57.7                | 58.4              | 58.4             |
| Loan rate.....                      | 21.6    | 20.6    | 20.8    | 20.7    | 27.1    | 36.1    | 38.9    | 44.6    | 48.0    | 50.2                | 48.0              | 48.0             |
| Farm price.....                     | 22.9    | 28.2    | 27.3    | 44.6    | 42.9    | 51.3    | 64.1    | 52.3    | 58.4    | 62.6                | ( <sup>2</sup> )  | ( <sup>2</sup> ) |

<sup>1</sup> Includes imports.<sup>2</sup> USDA is prohibited from publishing cotton price projections.

TABLE 8.—U.S. LIVESTOCK, POULTRY, AND MILK PRODUCTION AND PRICES, CALENDAR YEARS, 1970-80

| Year           | Production     |        |          |                    |            | Prices                |                       |                             |                         |                              |
|----------------|----------------|--------|----------|--------------------|------------|-----------------------|-----------------------|-----------------------------|-------------------------|------------------------------|
|                | Million pounds |        |          |                    |            | Milk (billion pounds) | Dollars/hundredweight |                             |                         |                              |
|                | Beef           | Pork   | Broilers | Other <sup>1</sup> | Total meat |                       | Choice steers Omaha   | Barrows and Gilts 7 markets | Milk all sold to plants | Broilers 9 city cents/pounds |
| 1970           | 21,685         | 14,699 | 7,687    | 3,646              | 47,717     | 117.0                 | 29.36                 | 21.95                       | 5.71                    | 26.4                         |
| 1971           | 21,902         | 16,006 | 7,724    | 3,665              | 49,297     | 118.6                 | 32.39                 | 18.45                       | 5.87                    | 27.1                         |
| 1972           | 22,419         | 14,422 | 8,147    | 3,651              | 48,639     | 120.0                 | 35.78                 | 26.67                       | 6.07                    | 42.2                         |
| 1973           | 21,277         | 13,223 | 8,025    | 3,540              | 46,065     | 115.5                 | 44.54                 | 40.27                       | 7.14                    | 38.2                         |
| 1974           | 23,138         | 14,331 | 8,126    | 3,661              | 49,256     | 115.6                 | 41.89                 | 35.12                       | 8.33                    | 45.1                         |
| 1975           | 23,976         | 11,779 | 8,127    | 3,782              | 47,664     | 115.3                 | 44.61                 | 48.32                       | 8.75                    | 40.2                         |
| 1976           | 25,969         | 12,688 | 9,067    | 3,967              | 51,691     | 120.3                 | 39.11                 | 43.11                       | 9.66                    | 40.8                         |
| 1977           | 25,279         | 13,247 | 9,418    | 3,908              | 51,852     | 122.7                 | 40.38                 | 41.07                       | 9.72                    | 44.5                         |
| 1978           | 24,242         | 13,393 | 10,128   | 3,718              | 51,504     | 121.6                 | 52.34                 | 48.49                       | 10.60                   | 47.5                         |
| 1979:          |                |        |          |                    |            |                       |                       |                             |                         |                              |
| I              | 5,612          | 3,458  | 2,616    | 672                | 12,358     | 29.8                  | 65.42                 | 51.98                       | 11.87                   | 47.7                         |
| II             | 5,104          | 3,781  | 2,914    | 863                | 12,662     | 32.8                  | 72.51                 | 43.04                       | 11.53                   | 40.8                         |
| III            | 5,249          | 3,802  | 2,926    | 1,130              | 13,107     | 31.2                  | 65.88                 | 38.52                       | 12.00                   | 41.7                         |
| IV             | 5,481          | 4,409  | 2,732    | 1,140              | 13,762     | 29.8                  | 66.86                 | 36.39                       | 12.77                   | 44.4                         |
| Average        | 21,446         | 15,450 | 11,188   | 3,805              | 51,889     | 123.6                 | 67.67                 | 42.06                       | 12.00                   | 43.0                         |
| 1980 forecast: |                |        |          |                    |            |                       |                       |                             |                         |                              |
| I              | 5,309          | 4,187  | 2,790    | 808                | 13,094     | 31.1                  | 66.85                 | 36.31                       | 12.77                   | 41.1                         |
| II             | 5,278          | 4,327  | 2,998    | 954                | 13,557     | 34.0                  | 64.65                 | 31.18                       | 12.57                   | 50.0                         |
| III            | 5,327          | 3,927  | 2,819    | 1,152              | 13,225     | 32.0                  | 71.00                 | 42.00                       | 12.85                   | 48.0                         |
| IV             | 5,490          | 4,288  | 2,500    | 1,139              | 13,417     | 30.4                  | 74.00                 | 43.00                       | 14.00                   | 45.5                         |
| Average        | 21,404         | 16,729 | 11,107   | 4,053              | 53,293     | 127.5                 | 69.12                 | 38.12                       | 13.05                   |                              |

<sup>1</sup> Includes veal, lamb and mutton, and chicken other than broilers.

Fig. 1

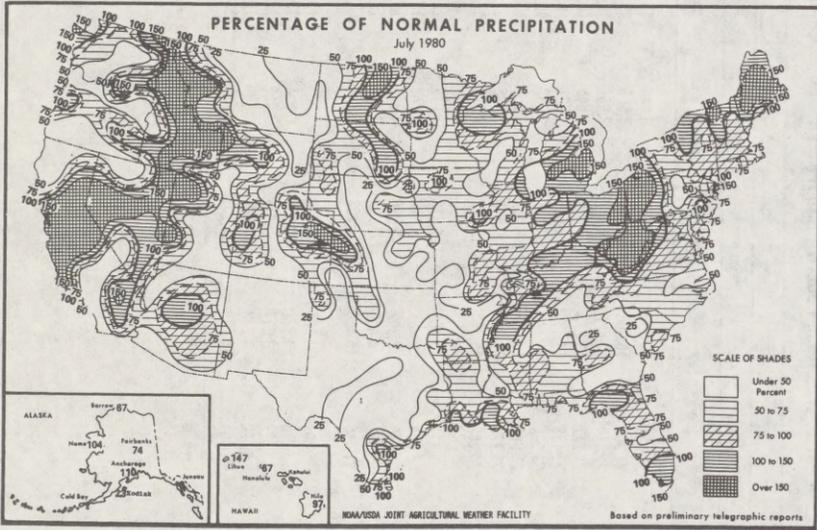
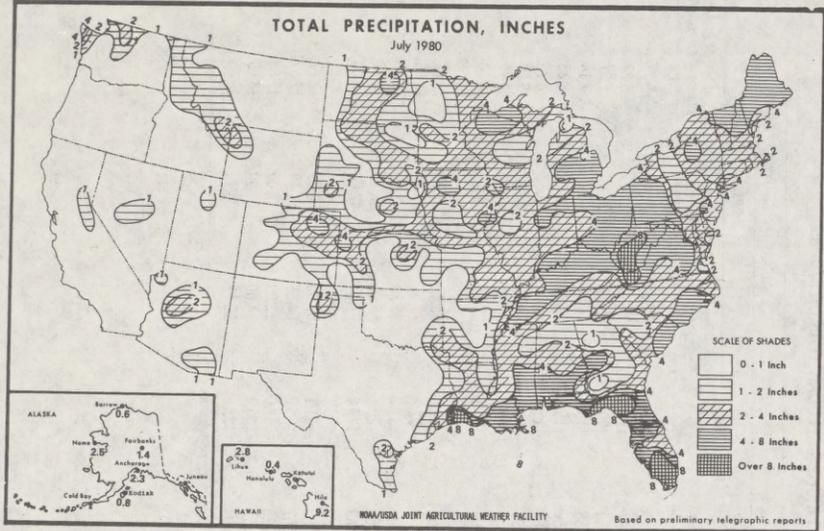


Fig. 2

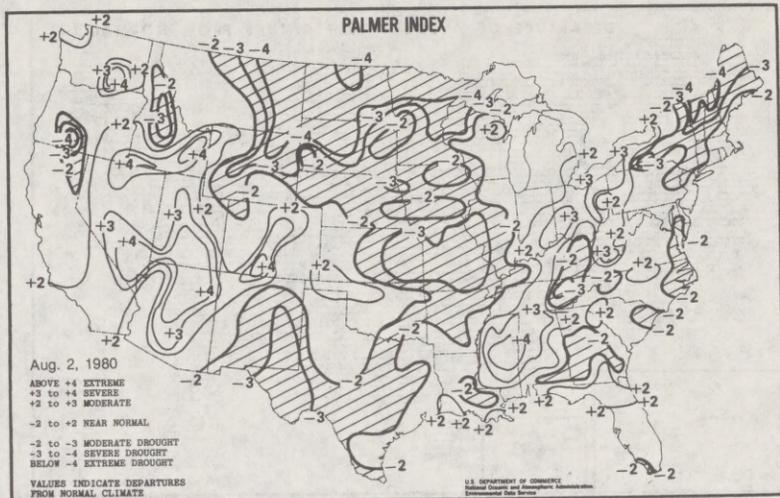


Fig. 3

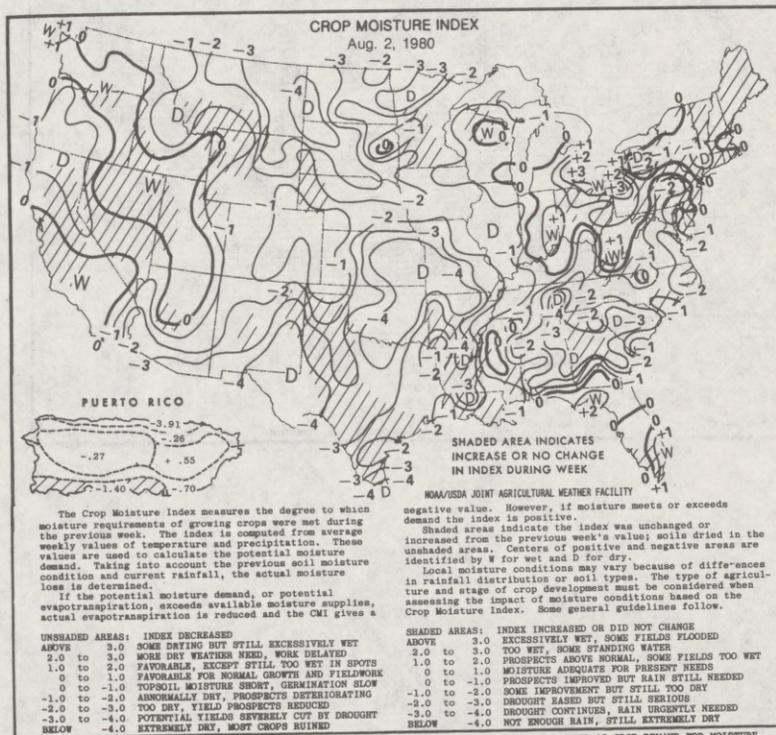


Fig. 4

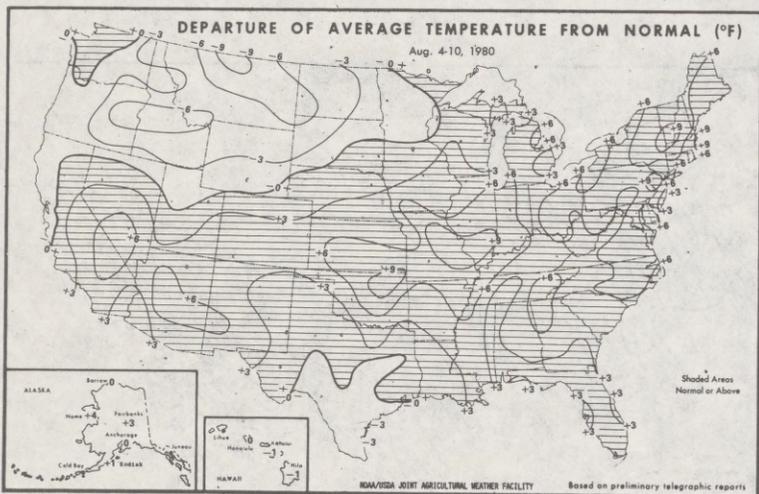
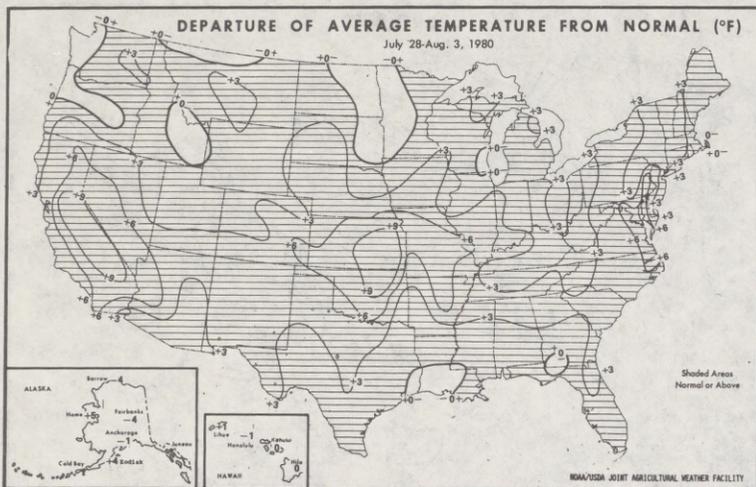


Fig. 5

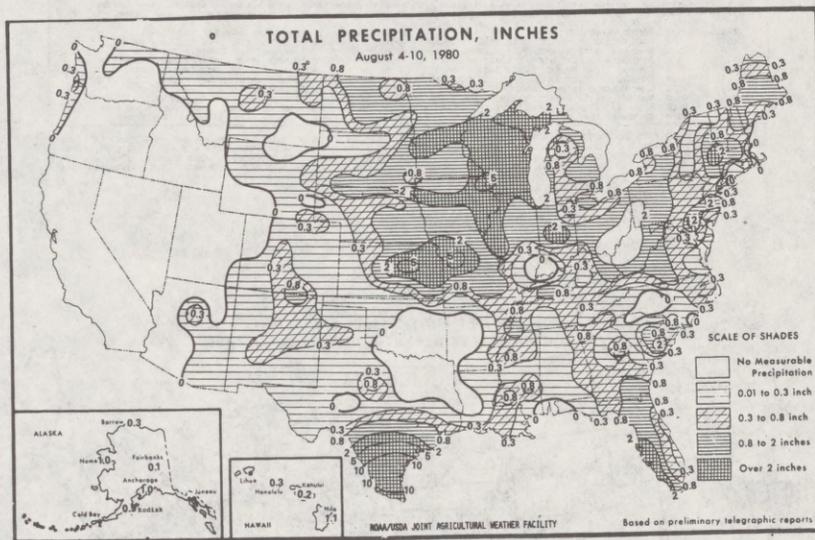
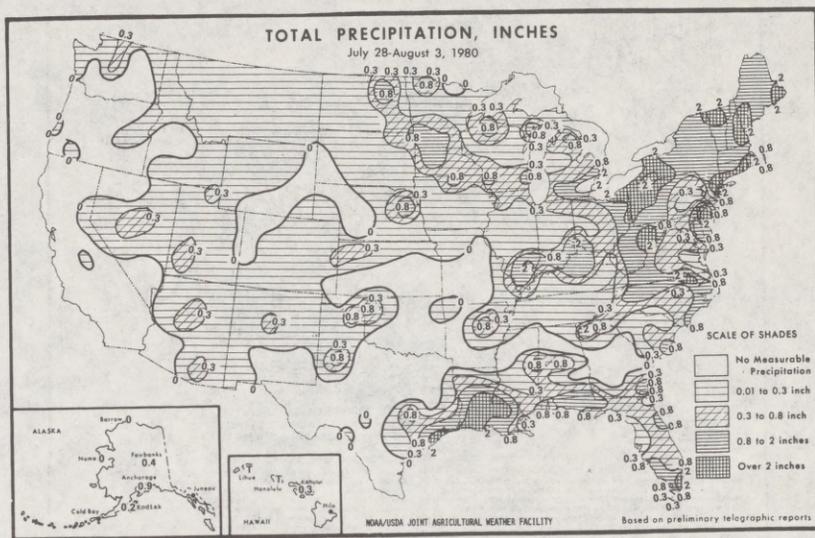
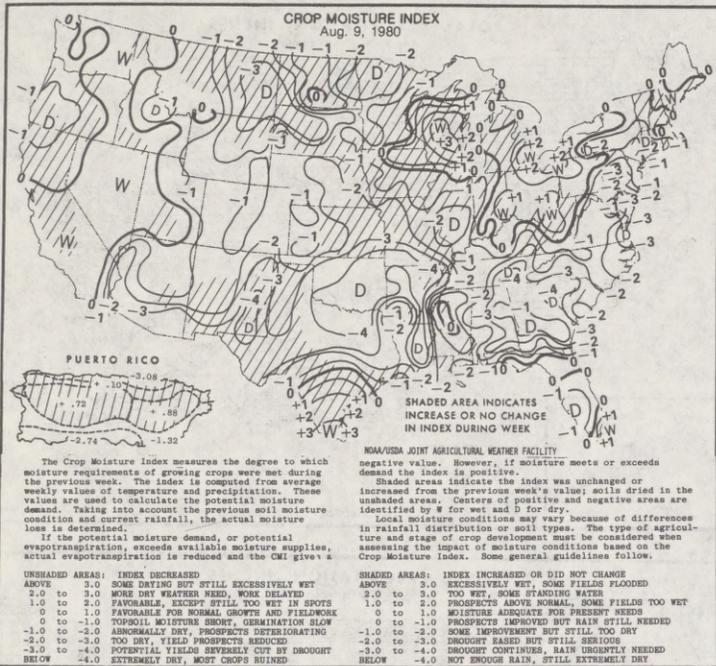


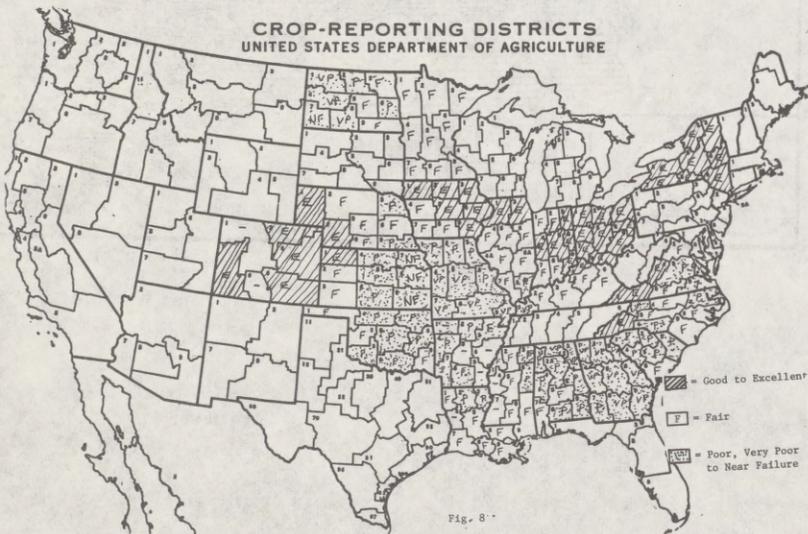
Fig. 6



MODERATE TO HEAVY RAIN IN THE EASTERN PORTION OF THE CENTRAL PLAINS HAS BROUGHT SOME RELIEF TO THE DROUGHT CONDITIONS IN EASTERN KANSAS AND WESTERN MISSOURI. HOWEVER, SOUTHERN ILLINOIS HAS GOTTEN DRIER. EXCESSIVE HEAT IN THE SOUTH AND ALONG THE EAST COAST HAS CAUSED A LARGER MOISTURE DEMAND. THE MOISTURE SUPPLIED BY WIDELY SCATTERED SHOWERS IN THOSE AREAS, HAS HELPED LITTLE, SO DRY CONDITIONS HAVE WORSENED. HURRICANE ALLEN'S MOVE INTO SOUTHERN TEXAS EASED DROUGHT IN SOME AREAS AND HELPED THE DRETTNESS IN OTHERS.

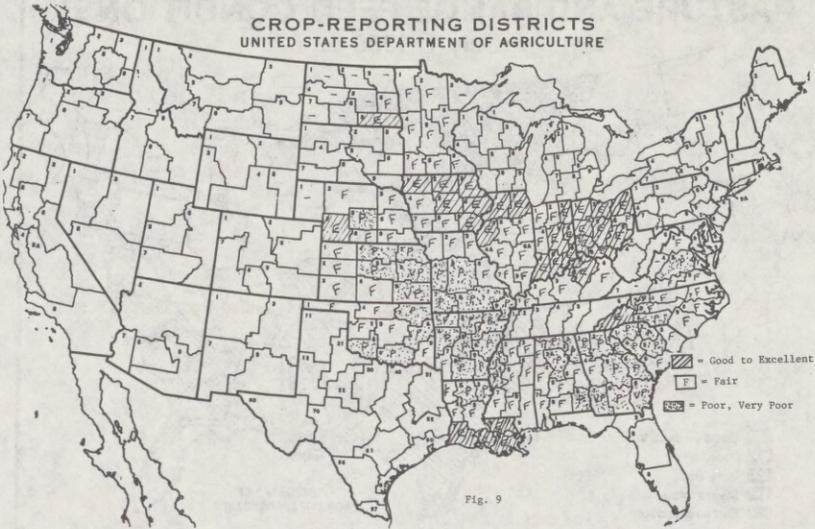
Fig. 7

CORN CONDITIONS 8/10/80



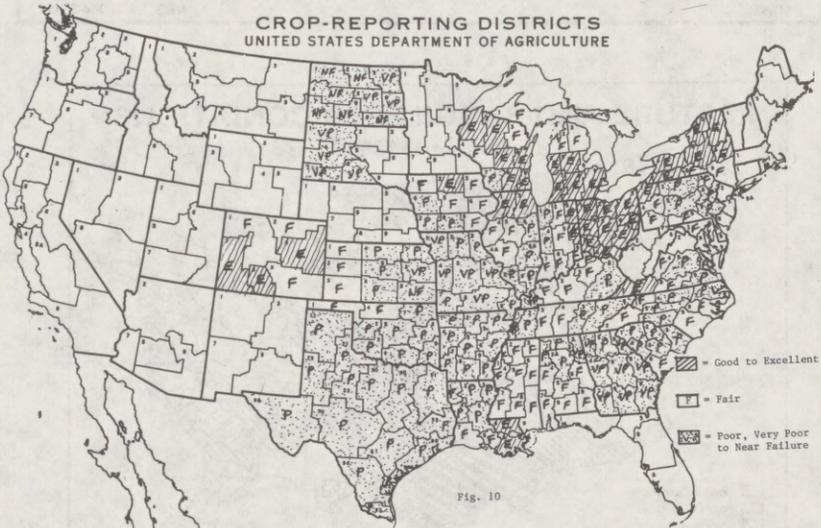
SOYBEAN CONDITIONS 8/10/80

**CROP-REPORTING DISTRICTS**  
 UNITED STATES DEPARTMENT OF AGRICULTURE



PASTURE CONDITIONS 8/10/80

**CROP-REPORTING DISTRICTS**  
 UNITED STATES DEPARTMENT OF AGRICULTURE



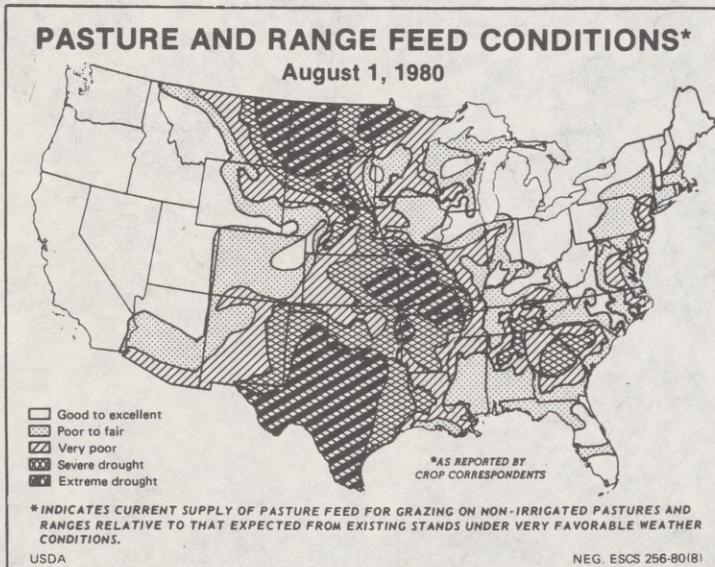
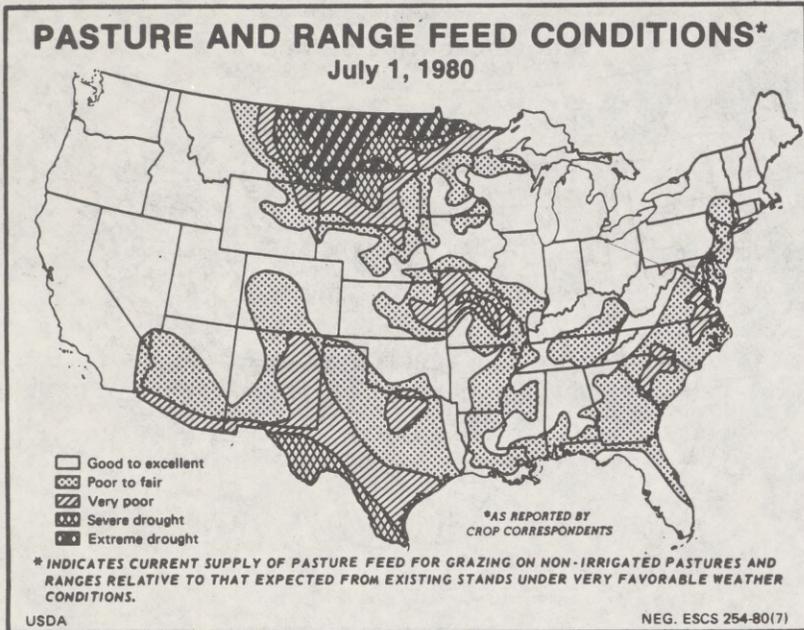


Fig. 11

## AGRICULTURAL SUPPLY AND DEMAND ESTIMATES

## HIGHLIGHTS

The effects of hot, dry weather continued to reduce U.S. production prospects for several crops during August. Lower yields are indicated for cotton, corn, soybeans and rice. Slight yield improvements were indicated for sorghum, barley, oats and wheat. During the first week of September, heavy rains fell along the Gulf Coast into central Texas, improving conditions for sowing the 1981 winter wheat crop. Dry weather continued in the southeast.

U.S. production of food and feed grains as of September 1 was indicated at 265 million tons, 2 million below August, but 34 million below 1979/80. Wheat production prospects improved in August, but were offset by declines in feed grains and rice. Grain utilization forecasts remain near August levels. Carryover stocks of grain for 1980/81 are slightly below the earlier forecast, mainly reflecting a further decline in the estimate of prospective feed grain stocks.

Forecast soybean stocks for September 1981 are substantially below the August indication, reflecting the prospective smaller 1980 crop as well as higher levels of crush and exports in 1979/80. The cotton crop is down sharply, requiring a trimming of U.S. mill use and export estimates, thus, ending stocks are forecast slightly below last month's indication and the smallest in nearly 30 years.

*Feed grain supplies tighten*

U.S. corn production for 1980, based on conditions as of September 1, is forecast at 6.53 billion bushels, 2 percent below the August 1 forecast, and 16 percent below 1979's. The corn supply for 1979/80 is expected to total 8.2 billion bushels, 9 percent below 1979/80, as large carryin stocks will help offset reduced production. Sorghum production of 547 million bushels is down slightly from August, and a third from 1979. Total 1980 feed grain production is forecast at 194 million tons, 17 percent below 1979.

With little change in production estimates, the domestic use and export estimates for corn and feed grains are unchanged from a month ago. Corn carryout stocks for 1980/81 are now expected to total about 870 million bushels, down about 100 million from the previous forecast, and 50 percent below the projected 1979/80 carryover. Feed grain stocks will likely decline from 53 million tons this year to about 28 million tons by the end of 1980/81. Farmer-owned reserve stocks will be virtually depleted by the end of the 1980/81 marketing year.

The corn price forecast for 1980/81 has been increased slightly from a month ago. The farm price of corn is expected to average from \$3.00 to \$3.50 per bushel compared with the previous estimate of \$2.90 to \$3.40, and \$2.50 for 1979/80.

*Wheat supplies up slightly from last month*

The 1980 wheat crop is forecast at 2.35 billion bushels, 1 percent above the August forecast, and 10 percent more than last year. Production forecasts for winter, other spring, and Durum wheat were revised upward from a month ago. Wheat supplies for 1980/81 are expected to total 3.26 billion, 6 percent above 1979/80.

No changes were made in the utilization estimates. As a result, carryout stocks of wheat for 1980/81 are not projected at about 975 million bushels, 30 million above the previous forecast, and 75 million above 1979/80. Farmer-owned reserve stocks will likely comprise about a fourth of the total 1980/81 carryout.

Wheat prices at the farm are expected to average \$3.90 to \$4.25 per bushel for 1980/81, up from \$3.82 in 1979/80.

*Rice production prospects deteriorate; prices to remain strong*

U.S. rice production for 1980, based on conditions as of September 1, is forecast at 140 million cwt., 6 million below last month, but nearly 4 million above last year's record. The rice yield of slightly over 4,200 lbs. per acre is down 8 percent from 1979. With smaller-than-expected carryin stocks, rice supplies for 1980/81 may fall about 2 million cwt. below 1979/80.

The domestic use estimate has been lowered slightly to 50 million cwt. based on a downward revision in the 1979/80 estimate. The export estimate of 87 million cwt. is unchanged from last month. Total utilization of rice in 1980/81 may about match production, leaving carryover stocks unchanged at around 26 million cwt. The current carryout estimate compares with last month's estimate of 35 million cwt.

The rice price forecast has been increased to reflect the much tighter supply-use balance for 1980/81. Rice prices are expected to average from \$10 to \$11.50 per cwt. This compares with the previous forecast of \$9.50 to \$11.50, and the 1979/80 price of \$10.60.

Several revisions were made in the 1979/80 estimates. Carryover stocks of rice on August 1, 1980 were 25.7 million cwt., 6 million below the previous forecast. Utiliza-

tion of rice for 1979/80 totaled 131.4 cwt., slightly below the earlier estimate. A lower domestic use estimate was partially offset by higher-than-expected exports. The difference that is unaccounted for, 11 million cwt., is abnormally large, but may be revised based on later information on 1979/80 supplies or utilization.

*U.S. soybean production down; prices strengthen*

As of September 1, soybean production for 1980 was estimated at 49.8 million metric tons, down 1.4 million from the August 1 estimate and nearly 12 million below 1979. Further yield declines as well as a drop in acres for harvest in most South Central States accounted for the production drop.

The very sharp decline in this year's U.S. soybean crop as well as declines in other U.S. oilseed production, mainly cottonseed, peanuts, and sunflowerseed, is cushioned somewhat by the very substantial carryover of oilseed inventories from 1979/80. U.S. carry in stocks are estimated at 10.1 million tons for soybeans, up over 5 million tons from a year earlier. Stocks of cottonseed and sunflowerseed are also up by 1.5 million tons in the U.S. The record Brazilian soybean crop harvested last spring also added substantially to present worldwide inventories of oilseeds. As of September 1980, overall world oilseed inventories in the major producer-exporter countries are estimated to be 11 million tons above a year earlier while world production of oilseeds is down about 12 million tons. Consequently, total oilseed supplies are down only marginally worldwide.

World demand growth for oilseed products is expected to rise less rapidly in 1980/81. U.S. protein meal demand and usage is likely to be down modestly as pork output declines. U.S. vegetable oil and fat usage could continue to show only slight gains in 1980/81, reflecting weaker economic conditions.

With oilseed carryover stocks in the U.S. drawn down to near pipeline needs, prices for soybeans and other oilseeds are expected to average significantly above last year's. Prices will be sensitive to new developments, particularly Southern Hemisphere oilseed crop marketings and progress of the crops about to be planted.

Prices for soybeans are expected to average around \$300 per metric ton (\$8.20/bu.) at the farm level in the United States in 1980/81, up about \$70 a ton (\$1.95/bu.) from 1979/80 levels.

*Small cotton supplies and current high prices limiting use*

With a 20-percent smaller cotton crop and 25-percent lower beginning stocks, this season's supply is projected at 14.8 million bales, down from 18.6 million in 1979/80. Anticipated disappearance also is down sharply this season to about 12.2 million bales, reflecting both smaller mill use and exports. Thus, next summer's carryover is expected to slip below this season's beginning level—perhaps to around 2.7 million bales, the smallest stocks since the early 1950's.

The 1980 crop is forecast at 11.7 million bales, based on September 1 conditions, down from 14.6 million last year. The current forecast also is 9 percent below month-earlier indications, reflecting deterioration in yield prospects due to continued drought in many areas of the Cotton Belt. The prospective national average yield of 421 pounds per harvested acre is 23 percent below last year.

This season's small cotton supply and higher prices will severely limit disappearance. U.S. mill use may slip below 6 million bales from 6.5 million last season. Despite relatively strong foreign cotton demand, U.S. exports will be off sharply in 1980/81 due to limited supplies available for export and high U.S. cotton prices relative to foreign cotton. Shipments may total around 6.3 million bales, compared with last season's 9.2 million.

Cotton prices have increased sharply in recent months, reflecting the tight supply-demand balance. Cotton is now priced 15 to 20 cents per pound above polyester staple in domestic markets and 5 to 10 cents above competitive foreign cotton in international markets.

GRAINS—UNITED STATES

| Item                             | Million metric tons |              |       |                          |                           |
|----------------------------------|---------------------|--------------|-------|--------------------------|---------------------------|
|                                  | Wheat               | Rice (rough) | Corn  | Feed grains <sup>1</sup> | Total grains <sup>2</sup> |
| 1978-79:                         |                     |              |       |                          |                           |
| Beginning stocks.....            | 32.0                | 1.2          | 28.0  | 41.2                     | 74.5                      |
| Production.....                  | 48.9                | 6.0          | 180.0 | 217.4                    | 273.0                     |
| Supply, total <sup>3</sup> ..... | 81.0                | 7.3          | 208.1 | 258.9                    | 348.0                     |
| Feed and residual.....           | 4.9                 |              | 106.6 | 133.1                    | 138.2                     |

## GRAINS—UNITED STATES—Continued

| Item                                  | Million metric tons |              |         |                          |                           |
|---------------------------------------|---------------------|--------------|---------|--------------------------|---------------------------|
|                                       | Wheat               | Rice (rough) | Corn    | Feed grains <sup>1</sup> | Total grains <sup>2</sup> |
| Food and other use.....               | 18.4                | 2.2          | 14.6    | 19.7                     | 40.6                      |
| Exports.....                          | 32.5                | 3.5          | 54.2    | 60.2                     | 96.2                      |
| Use, total.....                       | 55.8                | 5.7          | 175.4   | 213.0                    | 275.0                     |
| Ending stocks.....                    | 25.2                | 1.4          | 32.7    | 45.9                     | 72.8                      |
| Average farm price <sup>4</sup> ..... | 109                 | 180          | 89      |                          |                           |
| 1979-80 (estimated):                  |                     |              |         |                          |                           |
| Beginning stocks.....                 | 25.2                | 1.4          | 32.7    | 45.9                     | 72.8                      |
| Production.....                       | 58.3                | 6.2          | 197.2   | 233.9                    | 299.0                     |
| Supply, total <sup>3</sup> .....      | 83.5                | 7.6          | 229.9   | 280.0                    | 372.0                     |
| Feed and residual.....                | 2.6                 |              | 109.9   | 134.8                    | 137.6                     |
| Food and other use.....               | 19.0                | 2.1          | 15.8    | 20.9                     | 42.3                      |
| Exports.....                          | 37.4                | 3.8          | 61.0    | 70.9                     | 112.2                     |
| Use, total.....                       | 59.0                | 5.9          | 186.7   | 226.6                    | 292.1                     |
| Ending stocks.....                    | 24.5                | 1.2          | 43.2    | 53.4                     | 79.4                      |
| Average farm price <sup>4</sup> ..... | 140                 | 234          | 98      |                          |                           |
| 1980-81 (projected):                  |                     |              |         |                          |                           |
| Beginning stocks.....                 | 24.5                | 1.2          | 43.2    | 53.4                     | 79.4                      |
| Production.....                       | 64.1                | 6.4          | 166.0   | 194.1                    | 265.0                     |
| Supply, total <sup>3</sup> .....      | 88.7                | 7.5          | 209.2   | 247.7                    | 344.6                     |
| Feed use.....                         | 3.4                 |              | 105.4   | 125.0                    | 128.6                     |
| Food and other use.....               | 19.2                | 2.3          | 18.2    | 23.2                     | 45.0                      |
| Exports.....                          | 39.5                | 3.9          | 63.5    | 71.0                     | 114.6                     |
| Use, total.....                       | 62.1                | 6.2          | 187.1   | 219.2                    | 288.2                     |
| Ending stocks.....                    | 26.6                | 1.2          | 22.1    | 28.5                     | 56.4                      |
| Average farm price <sup>4</sup> ..... | 143-156             | 220-254      | 118-138 |                          |                           |

<sup>1</sup> Including corn.<sup>2</sup> Includes rye.<sup>3</sup> Including imports.<sup>4</sup> Dollars per metric ton.GRAIN CARRYOVER STOCKS, FARMER-OWNED RESERVE, CCC INVENTORY, AND PRICES <sup>1</sup>

| Crop                                  | Million metric tons |                   |                   |
|---------------------------------------|---------------------|-------------------|-------------------|
|                                       | 1978-79             | Estimated 1979-80 | Projected 1980-81 |
| Wheat:                                |                     |                   |                   |
| Ending stocks, total.....             | 25.2                | 24.5              | 26.6              |
| Farmer-owned reserve.....             | 10.7                | 6.8               | 7.3               |
| CCC inventory.....                    | 1.4                 | 5.4               | 5.2               |
| Free stocks.....                      | 13.1                | 12.3              | 14.1              |
| Average farm price <sup>2</sup> ..... | 109                 | 140               | 143-156           |
| Corn:                                 |                     |                   |                   |
| Ending stocks, total.....             | 32.7                | 43.2              | 22.1              |
| Farmer-owned reserve.....             | 13.7                | 19.1              |                   |
| CCC inventory.....                    | 2.5                 | 6.6               | 6.6               |
| Free stocks.....                      | 16.5                | 17.5              | 15.5              |
| Average farm price <sup>2</sup> ..... | 89                  | 98                | 118-138           |

GRAIN CARRYOVER STOCKS, FARMER-OWNED RESERVE, CCC INVENTORY, AND PRICES <sup>1</sup>—Continued

| Crop                                  | Million metric tons |                      |                      |
|---------------------------------------|---------------------|----------------------|----------------------|
|                                       | 1978-79             | Estimated<br>1979-80 | Projected<br>1980-81 |
| Feed grains:                          |                     |                      |                      |
| Ending stocks, total .....            | 45.9                | 53.4                 | 28.5                 |
| Farmer-owned reserve .....            | 16.4                | 20.9                 | .1                   |
| CCC inventory .....                   | 3.8                 | 7.8                  | 7.8                  |
| Free stocks .....                     | 25.7                | 24.7                 | 20.6                 |
| Rice:                                 |                     |                      |                      |
| Ending stocks, total .....            | 1.4                 | 1.2                  | 1.2                  |
| Farmer-owned reserve .....            |                     |                      |                      |
| CCC inventory .....                   | .4                  | .1                   |                      |
| Free stocks .....                     | 1.0                 | 1.1                  | 1.2                  |
| Average farm price <sup>2</sup> ..... | 180                 | 234                  | 220-254              |
| Grains: <sup>3</sup>                  |                     |                      |                      |
| Ending stocks, total .....            | 72.8                | 79.4                 | 56.4                 |
| Farmer-owned reserve .....            | 27.1                | 27.7                 | 7.4                  |
| CCC inventory .....                   | 5.6                 | 13.3                 | 13.0                 |
| Free stocks .....                     | 40.1                | 38.4                 | 36.0                 |

<sup>1</sup> Farmer-owned reserves and CCC inventory are as of June 1 for wheat, October 1 for feed grains, and August 1 for rice.

<sup>2</sup> Dollars per metric ton.

<sup>3</sup> Includes rye.

FEED GRAINS AND CORN <sup>1</sup>

| Commodity                                  | 1978/79 | 1979/80<br>estimated | 1980/81 |                                |
|--------------------------------------------|---------|----------------------|---------|--------------------------------|
|                                            |         |                      | Project | Probable variable <sup>2</sup> |
| FEED GRAINS                                |         |                      |         |                                |
| Area (millions of acres):                  |         |                      |         |                                |
| Planted .....                              | 122.8   | 117.6                | 120.8   |                                |
| Harvested .....                            | 104.5   | 101.2                | 99.6    |                                |
| Yield per harvest acre (metric tons) ..... | 2.08    | 2.31                 | 1.95    |                                |
| In millions of metric tons:                |         |                      |         |                                |
| Beginning stocks .....                     | 41.2    | 45.9                 | 53.4    |                                |
| Production .....                           | 217.4   | 233.9                | 194.1   | +7 to -7                       |
| Imports .....                              | .3      | .3                   | .2      |                                |
| Supply, total .....                        | 258.9   | 280.0                | 247.7   | +7 to -7                       |
| Feed and residual .....                    | 133.1   | 134.8                | 125.0   | +9 to -9                       |
| Food, seed, and ind .....                  | 19.7    | 20.9                 | 23.0    | +1 to -1                       |
| Domestic, total .....                      | 152.8   | 155.7                | 148.2   | +9 to -9                       |
| Exports .....                              | 60.2    | 70.9                 | 71.0    | +6 to -6                       |
| Use, total .....                           | 213.0   | 226.6                | 219.2   | +13 to -13                     |
| Ending stocks .....                        | 45.9    | 53.4                 | 28.5    | +9 to -9                       |
| CORN                                       |         |                      |         |                                |
| Area (millions of acres):                  |         |                      |         |                                |
| Planted .....                              | 80.1    | 80.0                 | 83.5    |                                |
| Harvested .....                            | 70.3    | 71.0                 | 71.2    |                                |
| Yield per harvested acre (bushels) .....   | 100.8   | 109.4                | 91.8    |                                |
| In millions of bushels:                    |         |                      |         |                                |
| Beginning stocks .....                     | 1,104   | 1,286                | 1,701   |                                |
| Production .....                           | 7,087   | 7,764                | 6,534   | +300 to -300                   |
| Imports .....                              | 1       | 1                    | 1       |                                |
| Supply, total .....                        | 8,192   | 9,051                | 8,236   | +300 to -300                   |
| Feed and residual .....                    | 4,198   | 4,325                | 4,150   | +300 to -300                   |

FEED GRAINS AND CORN <sup>1</sup>—Continued

| Commodity                             | 1978/79 | 1979/80<br>estimated | 1980/81   |                                |
|---------------------------------------|---------|----------------------|-----------|--------------------------------|
|                                       |         |                      | Project   | Probable variable <sup>2</sup> |
| Food, seed, and ind .....             | 575     | 625                  | 715       | +25 to -25                     |
| Domestic, total .....                 | 4,773   | 4,950                | 4,865     | +315 to -315                   |
| Exports .....                         | 2,133   | 2,400                | 2,500     | +200 to -200                   |
| Use, total .....                      | 6,906   | 7,350                | 7,365     | +450 to -450                   |
| Ending stocks .....                   | 1,286   | 1,701                | 871       | +300 to -300                   |
| Average farm price <sup>3</sup> ..... | 2.25    | 2.50                 | 3.00-3.50 |                                |

<sup>1</sup> Marketing year beginning October 1 for corn and sorghum; June 1 for barley and oats.

<sup>2</sup> The "probable variability" reflects the root mean square error and/or standard error of estimate from trend and judgment. Chances are about 2 out of 3 that the outcome will fall within the indicated ranges.

<sup>3</sup> Season average farm price, dollars per bushel.

SORGHUM, BARLEY, AND OATS <sup>1</sup>

| Commodity                                   | 1978/79 | 1979/80<br>estimated | 1980/81   |                                |
|---------------------------------------------|---------|----------------------|-----------|--------------------------------|
|                                             |         |                      | Projected | Probable variable <sup>2</sup> |
| <b>SORGHUM</b>                              |         |                      |           |                                |
| Yield per harvested acre (in bushels) ..... | 55.1    | 62.9                 | 45.0      |                                |
| In millions of bushels:                     |         |                      |           |                                |
| Beginning stocks .....                      | 191     | 159                  | 101       |                                |
| Production .....                            | 748     | 814                  | 547       | +25 to -25                     |
| Imports .....                               |         |                      |           |                                |
| Supply, total .....                         | 939     | 973                  | 648       | +25 to -25                     |
| Feed and residual .....                     | 566     | 525                  | 365       | +30 to -30                     |
| Food, seed, and ind. ....                   | 7       | 7                    | 7         |                                |
| Domestic, total .....                       | 573     | 532                  | 372       | +30 to -30                     |
| Exports .....                               | 207     | 340                  | 225       | +25 to -25                     |
| Use, total .....                            | 780     | 872                  | 597       | +50 to -50                     |
| Ending stocks .....                         | 159     | 101                  | 51        | +15 to -15                     |
| Average farm price <sup>3</sup> .....       | 2.02    | 2.35                 | 2.95-3.45 |                                |
| <b>BARLEY</b>                               |         |                      |           |                                |
| Yield per harvested acre (in bushels) ..... | 48.6    | 50.6                 | 47.7      |                                |
| In millions of bushels:                     |         |                      |           |                                |
| Beginning stocks .....                      | 172     | 229                  | 191       |                                |
| Production .....                            | 449     | 378                  | 352       | +10 to -10                     |
| Imports .....                               | 10      | 12                   | 10        |                                |
| Supply, total .....                         | 631     | 619                  | 553       | +10 to -10                     |
| Feed and residual .....                     | 206     | 203                  | 175       | +25 to -25                     |
| Food, seed, and ind. ....                   | 170     | 170                  | 172       |                                |
| Domestic, total .....                       | 376     | 373                  | 347       | +25 to -25                     |
| Exports .....                               | 26      | 55                   | 75        | +20 to -20                     |
| Use, total .....                            | 402     | 428                  | 422       | +40 to -40                     |
| Ending stocks .....                         | 229     | 191                  | 131       | +20 to -20                     |
| Average farm price <sup>3</sup> .....       | 1.92    | 2.31                 | 2.50-2.80 |                                |
| <b>OATS</b>                                 |         |                      |           |                                |
| Yield per harvested acre (in bushels) ..... | 52.2    | 54.4                 | 50.9      |                                |
| In millions of bushels:                     |         |                      |           |                                |
| Beginning stocks .....                      | 311     | 287                  | 239       |                                |
| Production .....                            | 596     | 534                  | 451       | +15 to -15                     |
| Imports .....                               | 1       | 1                    | 1         |                                |

SORGHUM, BARLEY, AND OATS <sup>1</sup>—Continued

| Commodity                             | 1978/79 | 1979/80<br>estimated | 1980/81   |                                |
|---------------------------------------|---------|----------------------|-----------|--------------------------------|
|                                       |         |                      | Projected | Probable variable <sup>2</sup> |
| Supply, total.....                    | 908     | 822                  | 691       | +15 to -15                     |
| Feed and residual.....                | 530     | 499                  | 450       | +25 to -25                     |
| Food, seed, and ind.....              | 78      | 80                   | 80        |                                |
| Domestic, total.....                  | 608     | 579                  | 530       | +25 to -25                     |
| Exports.....                          | 13      | 4                    | 10        | +5 to -5                       |
| Use, total.....                       | 621     | 583                  | 540       | +25 to -25                     |
| Ending stocks.....                    | 287     | 239                  | 151       | +20 to -20                     |
| Average farm price <sup>3</sup> ..... | 1.20    | 1.36                 | 1.55-1.80 |                                |

<sup>1</sup> Marketing year beginning October 1 for sorghum, June 1 for barley and oats.

<sup>2</sup> The "probable variability" reflects the root mean square error and/or standard error of estimate from trend and judgment. Chances are about 2 out of 3 that the outcome will fall within the indicated ranges.

<sup>3</sup> Season average farm price, dollars per bushel.

WHEAT AND RICE <sup>1</sup>

| Commodity                                  | 1978/79 | 1978/80<br>estimated | 1980/81   |                                |
|--------------------------------------------|---------|----------------------|-----------|--------------------------------|
|                                            |         |                      | Projected | Probable variable <sup>2</sup> |
| <b>WHEAT</b>                               |         |                      |           |                                |
| Area (millions of acres):                  |         |                      |           |                                |
| Planted.....                               | 66.3    | 71.6                 | 80.9      |                                |
| Harvested.....                             | 56.9    | 62.6                 | 71.6      |                                |
| Yield per harvested acre (in bushels)..... | 31.6    | 34.2                 | 32.9      |                                |
| In millions of bushels:                    |         |                      |           |                                |
| Beginning stocks.....                      | 1,177   | 925                  | 901       |                                |
| Production.....                            | 1,798   | 2,142                | 2,354     | +30 to -30                     |
| Imports.....                               | 1       | 2                    | 2         |                                |
| Supply, total.....                         | 2,976   | 3,069                | 3,257     | +30 to -30                     |
| Food.....                                  | 591     | 596                  | 605       | +5 to -5                       |
| Seed.....                                  | 87      | 101                  | 100       | +5 to -5                       |
| Feed and residual.....                     | 179     | 96                   | 125       | +50 to -50                     |
| Domestic, total.....                       | 857     | 793                  | 830       | +55 to -55                     |
| Exports.....                               | 1,194   | 1,375                | 1,450     | +100 to -100                   |
| Use, total.....                            | 2,051   | 2,168                | 2,280     | +125 to -125                   |
| Ending stocks.....                         | 925     | 901                  | 977       | +125 to -125                   |
| Average farm price <sup>3</sup> .....      | 2.98    | 3.82                 | 3.90-4.25 |                                |
| <b>RICE (Rough Equivalent)</b>             |         |                      |           |                                |
| Area (millions of acres):                  |         |                      |           |                                |
| Allotment.....                             | 1.80    | 1.80                 | 1.80      |                                |
| Planted.....                               | 2.99    | 3.00                 | 3.36      |                                |
| Harvested.....                             | 2.97    | 2.98                 | 3.33      |                                |
| Yield per harvested acre (in pounds).....  | 4,484   | 4,588                | 4,209     |                                |
| In million cwt.:                           |         |                      |           |                                |
| Beginning stocks.....                      | 27.4    | 31.6                 | 25.7      |                                |
| Production.....                            | 133.2   | 136.7                | 140.2     | +4 to -4                       |
| Imports.....                               | .1      | .1                   |           |                                |
| Supply, total.....                         | 160.7   | 168.4                | 165.9     | +4 to -4                       |
| Domestic.....                              | 48.0    | 46.9                 | 50.0      | +2 to -2                       |
| Exports.....                               | 76.9    | 84.5                 | 87.0      | +5 to -5                       |
| Use, total.....                            | 124.9   | 131.4                | 137.0     | +6 to -6                       |
| Ending stocks.....                         | 31.6    | 25.7                 | 25.9      | +5 to -5                       |
| Dif. unactd.....                           | +4.2    | +11.3                | +*3.0     |                                |

WHEAT AND RICE <sup>1</sup>—Continued

| Commodity                       | 1978/79 | 1978/80<br>estimated | 1980/81     |                                |
|---------------------------------|---------|----------------------|-------------|--------------------------------|
|                                 |         |                      | Projected   | Probable variable <sup>2</sup> |
| Average farm price <sup>3</sup> | 8.16    | 10.60                | 10.00–11.50 |                                |

<sup>1</sup> Marketing year beginning June 1 for wheat and August 1 for rice.

<sup>2</sup> The "probable variability" reflects the root mean square error and/or standard error of estimate from trend and judgment. Chances are about 2 out of 3 that the outcome will fall within the indicated ranges.

<sup>3</sup> Season average farm price, dollars per bushel for wheat and dollars per hundredweight for rice.

<sup>4</sup> Projected based on historical relationships.

SOYBEANS AND PRODUCTS (DOMESTIC MEASURE) <sup>1</sup>

| Commodity                                        | 1978/79 | 1979/80<br>estimated | 1980/81   |                                   |
|--------------------------------------------------|---------|----------------------|-----------|-----------------------------------|
|                                                  |         |                      | Projected | Probable variability <sup>2</sup> |
| <b>SOYBEANS</b>                                  |         |                      |           |                                   |
| Area (millions of acres):                        |         |                      |           |                                   |
| Planted.....                                     | 64.4    | 71.6                 | 70.3      |                                   |
| Harvested.....                                   | 63.3    | 70.5                 | 67.9      |                                   |
| Yield per harvested unit (bushels per acre)..... | 29.5    | 32.2                 | 27.0      |                                   |
| In millions of bushels:                          |         |                      |           |                                   |
| Beginning stocks.....                            | 161     | 174                  | 370       |                                   |
| Production.....                                  | 1,870   | 2,268                | 1,831     | +100 to -100                      |
| Supply, total.....                               | 2,031   | 2,442                | 2,201     | +100 to -100                      |
| Crushings.....                                   | 1,018   | 1,120                | 1,050     | +50 to -50                        |
| Exports.....                                     | 739     | 870                  | 835       | +50 to -50                        |
| Seed and feed.....                               | 76      | 80                   | 80        |                                   |
| Residual.....                                    | 24      | 17                   | 16        |                                   |
| Use, total.....                                  | 1,857   | 2,087                | 1,981     | +75 to -75                        |
| Ending stocks.....                               | 174     | <sup>3</sup> 370     | 220       | +75 to -75                        |
| Average farm price.....                          | 6.66    | 6.25                 | 8.20      | +1.25 to -1.25                    |

## SOYBEAN OIL

|                                  |        |                     |        |              |
|----------------------------------|--------|---------------------|--------|--------------|
| In millions of pounds:           |        |                     |        |              |
| Beginning stocks.....            | 729    | 776                 | 1,215  |              |
| Production.....                  | 11,323 | <sup>4</sup> 12,039 | 11,345 | +550 to -550 |
| Supply, total.....               | 12,052 | 12,815              | 12,560 | +550 to -550 |
| Domestic.....                    | 8,942  | 8,900               | 9,100  | +500 to -500 |
| Exports.....                     | 2,334  | 2,700               | 2,400  | +150 to -150 |
| Use, total.....                  | 11,276 | 11,600              | 11,500 | +500 to -500 |
| Ending stocks.....               | 776    | 1,215               | 1,060  | +200 to -200 |
| Average price <sup>5</sup> ..... | 27.4   | 24.5                | 28.0   | +5.0 to -5.0 |

## SOYBEAN MEAL

|                                  |        |                     |        |                  |
|----------------------------------|--------|---------------------|--------|------------------|
| In thousands of short tons:      |        |                     |        |                  |
| Beginning stocks.....            | 243    | 267                 | 320    |                  |
| Production.....                  | 24,354 | <sup>4</sup> 27,003 | 25,040 | +1,200 to -1,200 |
| Supply, total.....               | 24,597 | 27,270              | 25,360 | +1,200 to -1,200 |
| Domestic.....                    | 17,720 | 19,100              | 18,000 | +1,000 to -1,000 |
| Exports.....                     | 6,610  | 7,850               | 7,000  | +400 to -400     |
| Use, total.....                  | 24,330 | 26,950              | 25,000 | +1,000 to -1,000 |
| Ending stocks.....               | 267    | 320                 | 360    | +50 to -50       |
| Average price <sup>6</sup> ..... | 190.10 | 180.00              | 230.00 | +35 to -35       |

<sup>1</sup> Marketing year beginning September 1 for soybeans; October 1 for soybean oil and meal.

<sup>2</sup> The "probable variability" reflects the root mean square error and/or standard error of estimate from trend and judgment. Chances are about 2 out of 3 that the outcome will fall within the indicated ranges.

<sup>3</sup> Ending stocks for 1979/80 include a 15-million bushel underestimate for the 1979 crop, as indicated in the June 1 Grain Stocks report.

<sup>4</sup> Based on an October year crush of 1.125 million bushels.

<sup>5</sup> Simple average of crude soybean oil, Decatur, cents per pound.

<sup>6</sup> Simple average of 44 percent protein, Decatur, dollars per short ton.

SOYBEANS AND PRODUCTS (METRIC MEASURE) <sup>1</sup>

| Commodity                                               | 1978/79 | 1979/80<br>estimated | 1980/81  |                                |
|---------------------------------------------------------|---------|----------------------|----------|--------------------------------|
|                                                         |         |                      | Projects | Probable variable <sup>2</sup> |
| <b>SOYBEANS</b>                                         |         |                      |          |                                |
| Area (millions of hectare):                             |         |                      |          |                                |
| Planted.....                                            | 26.1    | 29.0                 | 28.4     |                                |
| Harvested.....                                          | 25.6    | 28.5                 | 27.5     |                                |
| Yield per harvested unit (metric tons per hectare)..... | 1.98    | 2.17                 | 1.82     |                                |
| In millions of metric tons:                             |         |                      |          |                                |
| Beginning stocks.....                                   | 4.4     | 4.7                  | 10.1     |                                |
| Production.....                                         | 50.9    | 61.7                 | 49.8     | +2.7 to -2.7                   |
| Supply, total.....                                      | 55.3    | 66.4                 | 59.9     | +2.7 to -2.7                   |
| Crushings.....                                          | 27.7    | 30.5                 | 28.6     | +1.4 to -1.4                   |
| Exports.....                                            | 20.1    | 23.7                 | 22.7     | +1.4 to -1.4                   |
| Seed and feed.....                                      | 2.1     | 2.2                  | 2.2      |                                |
| Residual.....                                           | .7      | .5                   | .4       |                                |
| Use, total.....                                         | 50.6    | 56.8                 | 53.9     | +2.0 to -2.0                   |
| Ending stocks.....                                      | 4.7     | <sup>3</sup> 10.1    | 6.0      | +2.0 to -2.0                   |
| Average farm price.....                                 | 245     | 230                  | 300      | +46 to -46                     |
| <b>SOYBEAN OIL</b>                                      |         |                      |          |                                |
| In thousands of metric tons:                            |         |                      |          |                                |
| Beginning stocks.....                                   | 331     | 352                  | 551      |                                |
| Production.....                                         | 5,136   | <sup>4</sup> 5,461   | 5,146    | +249 to -249                   |
| Supply total.....                                       | 5,467   | 5,813                | 5,697    | +249 to -249                   |
| Domestic.....                                           | 4,056   | 4,103                | 4,128    | +227 to -227                   |
| Exports.....                                            | 1,059   | 1,225                | 1,089    | +68 to -68                     |
| Use, total.....                                         | 5,115   | 5,262                | 5,216    | +227 to -227                   |
| Ending stocks.....                                      | 352     | 551                  | 481      | +91 to -91                     |
| Average price <sup>5</sup> .....                        | 604     | 540                  | 617      | +110 to -110                   |
| <b>SOYBEAN MEAL</b>                                     |         |                      |          |                                |
| In thousands of metric tons:                            |         |                      |          |                                |
| Beginning stocks.....                                   | 220     | 242                  | 290      |                                |
| Production.....                                         | 22,094  | <sup>4</sup> 24,497  | 22,716   | +1089 to -1089                 |
| Supply, total.....                                      | 22,314  | 24,739               | 23,006   | +1089 to -1089                 |
| Domestic.....                                           | 16,075  | 17,327               | 16,329   | +907 to -907                   |
| Exports.....                                            | 5,996   | 7,121                | 6,350    | +363 to -363                   |
| Use, total.....                                         | 22,072  | 24,449               | 22,680   | +907 to -907                   |
| Ending stocks.....                                      | 242     | 290                  | 327      | +45 to -45                     |
| Average price <sup>6</sup> .....                        | 210     | 198                  | 254      | +39 to -39                     |

<sup>1</sup> Marketing year beginning Sept. 1 for soybeans; Oct. 1 for soybean oil and meal.

<sup>2</sup> The "probable variability" reflects the root mean square error and/or standard error of estimate from trend and judgment. Chances are about 2 out of 3 that the outcome will fall within the indicated ranges.

<sup>3</sup> Ending stocks for 1979/80 include a 0.4-million-metric-ton underestimate of the 1979 crop, as indicated in the June 1 Grain Stocks report.

<sup>4</sup> Based on an October year crush of 30.6 million metric tons.

<sup>5</sup> Simple average of crude soybean oil, Decatur, dollars per metric ton.

<sup>6</sup> Simple average of 44 percent protein, Decatur, dollars per metric ton.

COTTON: UPLAND AND EXTRA LONG STAPLE <sup>1</sup>

| Commodity                 | 1978/79 | 1979/80<br>estimated | 1980/81   |                                |
|---------------------------|---------|----------------------|-----------|--------------------------------|
|                           |         |                      | Projected | Probable variable <sup>2</sup> |
| <b>DOMESTIC MEASURE</b>   |         |                      |           |                                |
| Area (millions of acres): |         |                      |           |                                |
| Planted.....              | 13.4    | 13.9                 | 14.4      |                                |

COTTON: UPLAND AND EXTRA LONG STAPLE <sup>1</sup>—Continued

| Commodity                                      | 1978/79 | 1979/80<br>estimated | 1980/81   |                                |
|------------------------------------------------|---------|----------------------|-----------|--------------------------------|
|                                                |         |                      | Projected | Probable variable <sup>2</sup> |
| Harvested.....                                 | 12.4    | 12.8                 | 13.3      |                                |
| Yield per harvested acre (pounds).....         | 421     | 548                  | 421       |                                |
| In millions of 480-lb. bales:                  |         |                      |           |                                |
| Beginning stocks <sup>3</sup> .....            | 5.3     | 4.0                  | 3.0       |                                |
| Production.....                                | 10.9    | 14.6                 | 11.7      | +0.8 to -0.8                   |
| Supply, total <sup>4</sup> .....               | 16.2    | 18.6                 | 14.8      | +0.8 to -0.8                   |
| Mill use.....                                  | 6.4     | 6.5                  | 5.9       | +0.5 to -0.5                   |
| Exports.....                                   | 6.2     | 9.2                  | 6.3       | +1.0 to -1.0                   |
| Use, total.....                                | 12.5    | 15.7                 | 12.2      | +1.0 to -1.0                   |
| Dif. unactd. <sup>5</sup> .....                | .3      | .2                   | .1        |                                |
| Ending stocks <sup>3</sup> .....               | 4.0     | 3.0                  | 2.7       | +1.0 to -0.5                   |
| Average farm price <sup>6</sup> .....          | 58.4    | 7 62.6               | (8)       |                                |
| METRIC MEASURE                                 |         |                      |           |                                |
| Area (millions of hectares):                   |         |                      |           |                                |
| Planted.....                                   | 5.41    | 5.64                 | 5.81      |                                |
| Harvested.....                                 | 5.01    | 5.19                 | 5.40      |                                |
| Yield per harvested hectare (metric tons)..... | .47     | .61                  | .47       |                                |
| In millions of metric tons:                    |         |                      |           |                                |
| Beginning stocks <sup>3</sup> .....            | 1.16    | .87                  | .65       |                                |
| Production.....                                | 2.36    | 3.18                 | 2.55      | +0.17 to -0.17                 |
| Supply, total <sup>4</sup> .....               | 3.53    | 4.05                 | 3.22      | +0.17 to -0.17                 |
| Mill use.....                                  | 1.39    | 1.42                 | 1.28      | +0.11 to -0.11                 |
| Exports.....                                   | 1.35    | 2.00                 | 1.37      | +0.22 to -0.22                 |
| Use, total.....                                | 2.72    | 3.42                 | 2.66      | +0.22 to -0.22                 |
| Difference unaccounted <sup>5</sup> .....      | .07     | .04                  | .02       |                                |
| Ending stocks.....                             | 3.87    | .65                  | .59       | +0.22 to -0.11                 |
| Average farm price. <sup>6</sup> .....         | 1.29    | 7 1.38               | (8)       |                                |

<sup>1</sup> Marketing year beginning Aug. 1.

<sup>2</sup> The "probable variability" reflects the root mean square error and/or standard error of estimate from trend and judgment. Chances are about 2 out of 3 that the outcome will fall within the indicated ranges.

<sup>3</sup> Based on Bureau of the Census data.

<sup>4</sup> Includes imports.

<sup>5</sup> Difference between ending stocks based on Bureau of Census data and preceding season's supply less distribution.

<sup>6</sup> Season average farm price, domestic measure, cents per pound; metric measure, dollars per kilogram.

<sup>7</sup> Weighted average price for the first 8 months of the season; not a forecast for 1979/80.

<sup>8</sup> USDA is prohibited from publishing cotton price projections. Note: Totals may not add due to rounding.

The Agricultural Supply and Demand Estimates Tables were prepared by the Interagency Commodity Estimates Committee for:

*Feed grains.*—Paul Meyers, Chairman, WFAOSB; Jim Rudbeck, FAS; Orville I. Overboe, ASCS; Ralph Tapp, AMS; Bruce Wright, ESCS.

*Wheat.*—Paul Meyers, Chairman, WFAOSB; Larry Hall, FAS; David Spalding, AMS; Randell Weber, ASCS; Bruce Wright, ESCS.

*Rice.*—Paul Meyers, Chairman, WFAOSB; Frank Gomme, FAS; Charles Hunley, AMS; George Schaefer, ASCS; Bruce Wright, ESCS.

*Soybeans, cottonseed and oils.*—Jim L. Matthews, Chairman, WFAOSB; Alan E. Holz, FAS; Bruce Wright, ESCS; David Spalding, AMS; Harry Sullivan, ASCS.

*Cotton.*—Russell G. Barlowe, Chairman, WFAOSB; Wayne E. Bjorlie, ASCS; Donald Bratton, AMS; R. Samuel Evans, ESCS; Gordon H. Lloyd, FAS.

## CONVERSION FACTORS—BUSHELS TO METRIC TONS AND AREA

Wheat and soybeans equal bushels times .027216—1 acre equal .404694 hectares.  
Barley equal bushels times .021772.

Corn, sorghum, rye equal bushels times .025401—1 hectare equals 2.471044 acres.  
Oats equal bushels times .014515.

480 pound bales to metric tons—Cotton equal bales times .217727.

Hundredweight to metric tons—Rice equal 100 times .045359.  
Kilograms to pounds—Kilogram equal 2.204622 pounds.

STATEMENT OF JIMMY AKINS, PRESIDENT, YOUNG FARMERS ORGANIZATION,  
STATESBORO, GA.

To narrow down the problems of the 1st District, we feel that low prices and adverse weather conditions are the two major problems. Farmers have always felt that we can produce ourselves out of desperate situations like this, but at this point we cannot do it alone. We are asking for your help—Bo Ginn's help—and everyone on Capitol Hill. We have to have a farm program that will benefit not only we farmers, but all the people in America to prevent a food shortage.

Low interest money for irrigation will help us compete with adverse weather conditions and maintain stable production.

If we cannot make a profit at the production level of food and fiber, we need a set-aside program to conserve energy and our natural resources and give us a profit for what we are producing.

We feel that federal grants for alcohol production should be made, and that this would take care of excess grain. Better export policies would help this problem. We need additional funding for foreign agricultural services. This should promote the sale of our products overseas.

We also ask that the credit of the Commodity Control Council be maintained and raised above its present level. This program has been in production for 20 years and has never lost any revenue. There is talk of deleting this program from the 1981 farm bill—*We disagree*.

In dealing with the farm bill we feel that you can and should pull the different farm groups together, agree on a workable farm program and have everyone's support of the same program. Lawmakers have told us for years that we need unity and this could and should be where it starts.

Gentlemen, Farmers are but 3 percent of the United States population, but our productivity is twice that of any non-farming industry. We employ 17 plus million people. We are exporting close to \$30 Billion annually and we are still in a critical situation.

If you compare hamburger meat to medical cost for the last 20 years, hamburger meat should cost a plus \$4.20 per pound. Eggs in comparison to transportation, eggs should be \$3.41 per dozen. Productivity has held these prices down, but we can't use productivity for an escape route any longer.

We are not asking for a hand out—we are asking for help. With these figures to support us, we feel by helping the American Farmer you are helping everyone—not only in America, but the entire world.

STATEMENT OF ROY GERRALD, STATESBORO, GA.

Senator Talmadge and Congressman Ginn and other officials, it's an honor to have this opportunity to be in Washington and I want to thank you gentleman for taking time out of your busy schedule to come and listen to our problems.

IRRIGATION

Even with irrigation, at current commodity prices and ever increasing cost of operations there is still no profit. We must have an increase in the commodities we sell.

TOBACCO PROGRAM

Why does it take longer to sell a crop of tobacco than it does to grow it. Under normal conditions it takes 9 to 10 wks to grow and 12 wks to sell. Why should we have to pay interest on our money at the local bank and absorb this additional cost because it takes so long to sell. Plus we absorb a loss because the tobacco is damaged from sitting on the warehouse floor so long.

PEANUT PROGRAM

Under our present peanut program if we do not produce our allotted poundage this carry over poundage must be absorbed on the same acreage the next year. Why can't we be allowed enough additional acres to use up this carry over poundage.

## COST OF OPERATIONS INCREASE

|                                           | 1977       | 1978       | 1979       | 1980       | Percent |
|-------------------------------------------|------------|------------|------------|------------|---------|
| Fuel cost.....                            | 31,666.43  | 44,115.73  | 59,540.42  | 78,628.97  | 148.00  |
| Fertilizer, lime and chemicals.....       | 146,792.89 | 263,740.69 | 273,435.60 |            | 86.27   |
| Labor.....                                | 47,176.77  | 66,072.35  | 69,894.50  |            | 48.15   |
| Repairs and maintenance.....              | 22,833.11  | 36,745.69  | 75,217.88  |            | 229.00  |
| Interest.....                             | 50,058.45  | 98,588.08  | 92,709.43  |            | 85.20   |
| <hr/>                                     |            |            |            |            |         |
| Fuel cost, 1980.....                      |            |            |            | 78,628.97  |         |
| Subtract 1977.....                        |            |            |            | 31,666.43  |         |
| Total.....                                |            |            |            | 46,962.54  |         |
| Divided by.....                           |            |            |            | 31,666.43  |         |
| Total in percent.....                     |            |            |            |            | 148     |
| <hr/>                                     |            |            |            |            |         |
| Fertilizer, lime and chemicals, 1979..... |            |            |            | 273,435.60 |         |
| Subtract 1977.....                        |            |            |            | 146,792.89 |         |
| Total.....                                |            |            |            | 126,642.71 |         |
| Divided by.....                           |            |            |            | 146,792.89 |         |
| Total in percent.....                     |            |            |            |            | 86.27   |
| <hr/>                                     |            |            |            |            |         |
| Labor, 1979.....                          |            |            |            | 69,894.50  |         |
| Subtract 1977.....                        |            |            |            | 47,176.77  |         |
| Total.....                                |            |            |            | 22,171.73  |         |
| Divided by.....                           |            |            |            | 47,176.77  |         |
| Total in percent.....                     |            |            |            |            | 48.15   |
| <hr/>                                     |            |            |            |            |         |
| Repairs and maintenance, 1979.....        |            |            |            | 75,217.88  |         |
| Subtract, 1977.....                       |            |            |            | 22,833.11  |         |
| Total.....                                |            |            |            | 52,384.77  |         |
| Divided by.....                           |            |            |            | 22,833.11  |         |
| Total in percent.....                     |            |            |            |            | 2.29    |
| <hr/>                                     |            |            |            |            |         |
| Interest, 1979.....                       |            |            |            | 92,709.43  |         |
| Subtract 1977.....                        |            |            |            | 50,058.45  |         |
| Total.....                                |            |            |            | 42,650.98  |         |
| Divided by.....                           |            |            |            | 50,058.45  |         |
| Total in percent.....                     |            |            |            |            | 85.20   |

## STATEMENT OF B. LARRY LANIER, MILLEN, GA.

I am here today representing a group of farmers from the first district of Georgia. Our purpose in appearing before you is to request your assistance in securing low interest loans and guaranteed market prices at least equal to production costs.

In 1975 the average market price of soybeans was \$4.55 per bushel. In 1980 the market price is \$6.32 per bushel. As you can see from these figures the market price has only increased \$1.77 per bushel in five years.

In 1975 it costs \$5 per bushel to produce soybeans. In 1980 it costs \$23 per bushel to produce them—an increase of \$18 per bushel. This tremendous increase in production costs is due mainly to higher seed prices, higher fertilizer prices, higher fuel prices, higher costs of equipment, higher labor costs (including Social Security increases), and tremendously higher interest rates. In addition to these cost increases, the farmers in our area for the last four years have experienced extreme drought conditions—causing many to have to irrigate much more than normal especially this year, thus increasing production costs even more.

As you can see from these figures, we the farmers desperately need assistance from you, the members of this committee, in order to insure the future of our agricultural industry which has been and still is the backbone of our Nation.

STATEMENT OF GARY L. LEE, COUNTY EXTENSION DIRECTOR, BULLOCH COUNTY,  
STATESBORO, GA.

THE FARM SITUATION

What has happened? During the past 3 years (four in some cases) dry weather has severely damaged at least one crop in this area and in some cases two (2) of the major crops grown in this area. This year (1980) some farmers will lose all of their major crops while everyone will be damaged to some degree in just about all of their crops. Even those who have irrigation did not produce the crops due to the extreme drought and heat.

Prices received for farm products have increased very little on any of the major crops during this period and in some cases, none at all. Just a few years ago corn sold for \$1.55 per bushel.

Equipment prices has more than doubled in the past five (5) years. Tractors that sold for \$10,000 in 1975 sell for about \$27,000 now (those that are selling—sales have been off during the past 8 months). This price increase is true for all equipment in the same degree of increase.

Fertilizer prices have just about doubled during the past 3 years. This is especially true in case of phosphates. Canada, for example has not only increased prices, but also added inflation rises to the prices based on the percent of inflation increase for the month. Freight prices are just about equal to the prices of the phosphate from Canada.

This price rise is due in part to the exportation of phosphates by one of our major fertilizer suppliers. This is reported to come from the Florida area.

Interest rates went up from about 11 percent to an average of 16 percent and in some cases more to the farmers and to some farm related industries, it is reported that interest rates were as much as 20 percent. This is passed along to the farmer.

During the past 2 years the price of diesel fuel has about tripled. This price increase came at a time when many farmers had gone to larger tractors for efficiency purposes, the high fuel prices offset that move.

The shortage of farm labor has forced higher dependency on chemicals. These chemicals are an essential part of the farm operation now and these prices have also increased. It is not uncommon for many farm chemicals to sell for over \$50 per gallon. Some are even higher.

Inflated land values have allowed many farmers to stay in business despite the rising costs and disasters and low farm prices. Land prices have not continued to rise and as a result, many farmers have over extended their credit and now find that they have none.

Embargoes caused uncertainty in the market place and prices for grain, already low, stayed at the same levels for a number of months. The anticipation of low grain prices prompted larger inventories of breeding stock and the prices declined to levels of the fifties. Farmers were not protected during the embargoes.

Trade policies regarding farm products is in just about as bad shape as the automobile industries. It is expected that little is known of the processing conditions in Argentina and other countries. With less rigid sanitation standards, cheap labor and other advantages, it is no wonder that they can ship beef into this country cheaper than we can grow it.

Also, countries who depend so heavily on our importing their products have very strict policies concerning the importation of our farm products. This can be and should be changed to the extent that we at least have a fair shake rather than taking the whipping that we are at the present time.

There are many other problems that I could go into but the above mentioned is enough to work on at the present time.

WHAT WILL BE THE RESULTS?

*Farm sales.*—Many farms will be sold to pay the debts. Lending institutions can give you a very close figure but it looks from the surface that 20% or more farmers in our area of the country may not farm next year. Some by force and a lesser percent, by choice.

*Rental lands.*—Many farm operators in our section and very likely throughout the farming regions of the country rent or lease farm land. The prices paid have been relatively high, but not out of line with the interest on the investment of the

land. Many operators plan to cut back operations to reduce the overhead of renting and also cut back an already small work force.

*Irrigation.*—Irrigation is expensive but many farmers will try to put in irrigation if the money is available. They will farm less land. This also creates more demand for diesel fuel and more operating capital. This also means less farm equipment and chemicals used.

*Small farm sales.*—Some folks may feel that this should be the way, that is the small farms should be eliminated and consolidated into large operations. If this trend continues the small farms will not be rented or leased to larger operations. At this point, the small farm will become a burden to the owner rather than an asset. Many will be sold.

As less farms are utilized and are sold, the owners will not likely stay on the farm but be forced to look for low rental housing and will also be forced to receive some sort of public assistance such as food coupons or direct public assistance payments.

With the present situation in existence, other farmers will be reluctant to purchase farms sold at auctions. At the present time and under the present conditions, it would be like buying two "mill stones" instead of one if you are already drowning. This will result in depressed farm prices which will put the owner deeper in debt. This will result in an invitation for foreign investors to move into very large holdings throughout the country.

*Cooperation farming.*—The ultimate result is large corporations owning and controlling farm operations. Think of what an advantage it would be to Standard Oil, Gulf Oil and Firestone to couple up with a company like John Deere. Just a few of these operations could not only control agriculture but also control the prices that the public would pay for food. Farmers have never organized to this extent because most farmers have no desire to choke the public but do want a fair share.

*Equipment and chemicals.*—If the present trend continues, there will be less and less equipment bought, less fertilizer and less chemicals as well as less trucks and automobiles. This will result in more lay-offs in the larger cities and this will further the need for public assistance to those who may never have had to ask for assistance before. All this costs more than all the money that will be spent on Agriculture during the next two years.

*Higher food prices.*—With less being produced as a result of disasters now and fewer people farming in the future, food prices will surely increase sharply during the next several years, resulting in more inflation rather than less.

#### WHAT CAN BE DONE?

*Government lending agencies.*—There should be a separation of services of the Farm and Home Administration. It is difficult for an agency to make loans to Builders and to farmers when the same person is responsible for making the decision as to the merit of the land. Perhaps all the farm operating loans should be handled for the farmers by PCA and land Loans by the Federal Land bank and home loans by what is now known as the Farm and Home Administration. This might also speed up the processing of loans which are very difficult to get processed at the present time.

*Education.*—Many Cabinet offices spend money on education of the general public in the form of T.V. spots (either free or paid for) in publications and news releases. It is felt that perhaps the USDA should do more of this type work. It is easier for the USDA to get Public service spots of television than it is for County Extension Personnel. Films should be developed for use at Civic groups in large cities to help understand that the farmer does not get most of the money that is paid for food and that the general public may have to re-arrange their priorities in the future. If some of the movies that people pay from \$4 to \$6 and more to see is worth it, then a loaf of bread should be worth \$10.

*Long term-low interest loans.*—I realize that one cannot borrow one's self out of debt, but in the case of needed irrigation equipment and water, this may be an absolute necessity. This will also help to take some of the pressure off local lending institutions.

*Individual cases.*—I fully realize that some farmers are in trouble by mis-management and lack of initiative, but the vast majority are in trouble due to the conditions that exist at this time. Therefore policy should be flexible enough that individual initiative should be considered and even the possibility of a grant should be considered. In the cases where this is not the case, then perhaps the person should consider another vocation anyway.

*Export-Import.*—The laws that govern the importation and exporting of agricultural products and those items essential to the production of food for this and other countries. New trade policies should be agreed upon. This is not to try and take

unfair advantage of any other country, but to make sure that we are not being taken advantage of.

Commodity loans and target prices should adjust automatically with the cost of production—up or down.

*Recovery dates.*—The dates from which commodities have to be redeemed from the loan program should not be so firm but allow the interest to be paid and the commodity left into the loan if prices are not favorable at the time the commodity has to be redeemed. (And prices are usually low at this time since the buyers know that the farmer will likely have to sell at that time.)

*Embargoes.*—If it is felt that an embargo of a product, farm or otherwise is absolutely essential for our national security then the embargo should be imposed but not announced to the general public. Simply cut off shipment. Too much fanfare in the announcement of an embargo causes too much panic in the market place and the farmer usually comes out on the short end of the bargain.

*Federal crop insurance.*—Federal crop insurance, properly written and administered could be the answer to many of the financial problems of farmers. Programs that are written by non farmers and administered by those who know nothing of farming will likely result in an ineffective program that will not be of much value to farmers or to lending institutions. Local Agricultural Agencies and farmers should have input into such things as determining cost of production for given crops in given areas also in determining when disaster has occurred. Many times a farmer is required to spend money on a crop that is impossible to recover in order to meet the requirements of the Insurance program.

#### LOOKING AT SOLUTIONS

I think that it is evident that we now only have to consider long term solutions. But we also have to look closely at what can be done now. For many farmers—there is no tomorrow unless we can devise some method of immediate relief. I don't feel that the reduction of the number of farmers will make the operation more efficient and in general, be good for the public or the world.

#### STATEMENT OF F. EVERETT WILLIAMS, BANKER, STATESBORO, GA.

Mr. Chairman and members of the committee, we appreciate very much your giving us this opportunity to talk to you about the sad plight of the American farmer and what can or should be done to help improve his conditions. Quite frankly I do not know the answer and I am beginning to wonder who really does. I feel sure some one must know, but today I believe that if we were to ask ten people what is needed we would get ten different answers. I feel this is true primarily because of the total farm debt in the United States—the unprecedented increase in production costs and steady decline in real farm income. I feel certain that you gentlemen know that at the beginning of this year the total farm debt in the United States was 161 billion dollars and by the end of 1985 it is projected to be 275 billion dollars. Even this staggering amount represents a slower growth rate than was experienced in 1979. It is also projected that real farm income is not expected to rise from the 1979 level. This projection was made several months ago and now in Southeast Georgia, where we here today live, because of severe drought conditions, farm income is not only not going to rise from last year, but is going to show a very sharp decline. This, together with what we will describe as the semi-droughts experienced in the previous three years, has brought many of our farm customers and farm related or agri-businesses to the very threshold of financial ruin. We know from first hand experience that there are many farmers and businesses in our area who have been unable to pay off their operating loans for the past three years and 1980 will be even worse for them. I only know what I read about the farmer's condition in the other areas of the United States, but I do know gentlemen that if something is not done and done now to help them, in our area there will be many less farming next year than did this year. Frankly, many of our farmers have been able to stay in business these past three years only because of the increasing value of their farm land, and we have seen that growth slow rather dramatically during 1980. I think that the farmer who is able to stay in business will see his debt service become more and more susceptible to year to year volatility in this income.

Agricultural experts tell us that we are moving into an era of ever closer balance between world food needs and production capacity. Our domestic demand, which is growing slowly in response to population and consumer income, will not be large enough to support favorable farm income. What does this tell us? To me it says that the purchasing power of U.S. farm income for the next few years will depend critically on increases in farm exports. I think our government should exert every

effort possible to expand our agricultural exports. I know this takes time and is not an answer to the immediate problems facing farmers today, however, it is a goal we should strive for down the road. We really have two problems—what is to be done now and what is to be done long range to give us stability in the farm sector of the nation's economy.

But what should be done now? I don't think more and bigger loans at prevailing rates are the answer—even if they were, most rural commercial banks already have higher loans to deposit ratios than do their city cousins and the money market center banks. Consequently, increasing the farm debt held by most of America's rural banks is limited at best. As conditions now exist, I just do not see the funds available in 1981 to the same extent they have been in previous years. I do not think loan moratoriums will in any way *solve* the problem—that is simply a postponement and could perhaps compound the existing problems.

In the August 5th issue of the American Banker I read an article which illustrates to me the kind of thinking that compounds the problems of the American farmer. I want to quote to you a few passages from this column, which was headlined "Carter Turns His Back on Consumer by Giving Farmers Election Year Gift." I am not trying in any way to make any kind of political point—I am trying to show that it seems to me that for a long time many people have mistakingly, in my opinion, blamed the farmer 100 percent for all their food cost problems and it just isn't that way. Too many others handle the commodities from the time they leave the farmer until they reach our tables for him to be solely responsible. Now back to the column:

"President Carter has just given farmers an election year boost in grain price supports, and the consumer has come up a loser once again.

"The Agriculture Department played down the impact of the hike in grain supports in announcing the action last week. Not to worry, according to a department fact sheet. Consumers will spend only an additional \$150 million a year for bread and other products.

"Agriculture Department officials estimate that the White House's price support action will lift grain prices about 5 percent; and that is a boost in their food bills that consumers could have done without."

Yes, we could have done without this estimated 5 percent increase—could we do without the food our farmers produce? What would we eat if all of our farmers were forced to quit because of their 25 to 40 percent increase in production costs this year? Where would the food come from to feed starving millions all over the world? Do we consumers want to see these people starve and ourselves go hungry? I cannot believe that we do. Is it right to keep Chrysler in business and let our farmers go down the drain? I do not think so.

Farming is in trouble—we have several existing Government programs that are helpful, but gentlemen their administration is often cumbersome and far too slow in getting the job done. These farmers here today need to know soon what they can expect about financing in 1981—not next February, March or April as happened to some in our county this year. I urge you to streamline all of your existing programs related to agricultural financing as the first step in bringing order out of chaos and hope out of despair.

I feel we all will agree on many things that are needed by many of our farmers—better management tools, more irrigation, improved crop insurance programs and on down the line, but—if he has everything he should have and does everything he should do, what has he accomplished if the end result is that he receives less for his crop than it cost him to produce it. I recently read a rather detailed analysis of our agricultural economy and what the writers expected for the next five years. One sentence in this study just about tells us what will have to be done. This is what it said—"Prices received by farmers will have to increase faster than prices paid by farmers to stimulate output, or Government intervention will be required." I hate to agree with this statement, but it does seem that the answer is in Washington. It is time that those in position to do so should recognize the problems of the American farmer to the same extent they have many other groups in our society. You can do this now by making available direct long term, low interest loans to the farmers, who have experienced crop failures because of conditions beyond their control.

#### STATEMENT OF DUDLEY BRADLEY, SR., ACCOUNTANT, STATESBORO, GA

Senator Talmadge, Senator Nunn, Congressman Ginn, Deputy Secretary Williams and other distinguished officials; its an honor for me and a group of farmers, agribusiness leaders and bankers from the First District of Georgia to have the opportunity to come to Washington to share with you the problems we are facing.

I would like to present some facts and figures from federal income tax returns beginning in 1977 through 1979.

ROY AND TERRY GERRALD, STATESBORO, GA., BULLOCH COUNTY

|                               | Amount       | Percent |
|-------------------------------|--------------|---------|
| 1977:                         |              |         |
| Gross income .....            | \$548,091.87 | 100     |
| Cash expenses .....           | 482,551.48   | 88      |
| Net before depreciation ..... | 65,540.39    | 12      |
| Depreciation expense .....    | -54,508.33   | 10      |
| Net profit .....              | 11,032.06    | 2       |

The 2 percent net did not include any salary for the 2 partners, neither did the 10 percent depreciation include escalating prices in farm equipment so that this equipment could be replaced. Neither does this 2 percent net include any return for land investment.

|                                    | Amount       | Percent |
|------------------------------------|--------------|---------|
| 1978:                              |              |         |
| Gross income .....                 | \$555,958.18 | 100     |
| Cash expenses .....                | 798,329.91   | 144     |
| Net loss before depreciation ..... | 242,371.73   | 44      |
| Depreciation expense .....         | 49,992.87    | 9       |
| Net loss .....                     | 292,364.60   | 53      |

A large amount of this loss occurred in 1977 and there was no revenue to pay the expenses. The expenses were carried over to 1978 and paid from a loan from the Small Business Administration.

|                               | Amount       | Percent |
|-------------------------------|--------------|---------|
| 1979:                         |              |         |
| Gross income .....            | \$972,168.66 | 100     |
| Cash expenses .....           | 930,317.06   | 96      |
| Net before depreciation ..... | -41,851.60   | 4       |
| Depreciation expense .....    | 55,305.64    | 6       |
| Net loss .....                | 13,454.04    | 1.38    |

JOHN W. NEWTON, MILLEN, GA., JENKINS COUNTY

|                                | Amount       | Percent |
|--------------------------------|--------------|---------|
| 1977:                          |              |         |
| Gross income .....             | \$241,838.38 | 100     |
| Cash expenses .....            | 310,069.27   | 128     |
| Loss before depreciation ..... | 68,230.89    | 28      |
| Depreciation expense .....     | 23,783.34    | 10      |
| Net loss .....                 | 92,014.23    | 38      |

## JOHN W. NEWTON, MILLEN, GA., JENKINS COUNTY—Continued

|                                | Amount     | Percent |
|--------------------------------|------------|---------|
| 1978:                          |            |         |
| Gross income .....             | 247,673.50 | 100     |
| Cash expenses .....            | 253,431.51 | 102     |
| Loss before depreciation ..... | 5,758.01   | 2       |
| Depreciation expense .....     | 26,911.02  | 11      |
| Net loss .....                 | 32,669.03  | 13      |
| 1979:                          |            |         |
| Gross income .....             | 273,620.46 | 100     |
| Cash expenses .....            | 269,017.90 | 98      |
| Net before depreciation .....  | -4,602.56  | 2       |
| Depreciation expense .....     | 28,634.08  | 10      |
| Net loss .....                 | 24,031.52  | 9       |

Mr. Newton's wife, Mildred, is a school teacher and taught me when I was a boy. In 1977 she earned \$10,317.36, (1978) \$11,059.20 and (1979) \$11,875.20. Without her help to pay household expenses and S.B.A. and F.H.A. loans John could not have made it.

I have other tax returns available to you on the: Shaw Brothers, Bulloch County, Johnny and Keith Bradley, Bulloch County and Akins and Sons Farms, Bulloch County. These returns tell virtually the same story as the other two.

In April 1977 diesel fuel was delivered to the farm at \$.43 per gallon. It is presently delivered at \$1.00 per gallon. An increase of 132.5 percent.

In 1977 5-10-15 fertilizer was \$95.00 per ton. In 1980 it was \$129.00 per ton. An increase of 36 percent.

In 1977 Benlayte Chemicals was \$6.30 per gallon. In 1980 it was \$9.69 per gallon. An increase of 54 percent.

In 1977 Nudrin was \$18.00 per gallon. In 1980 it was \$21.85. An increase of 21 percent.

In 1977 Tokephene was \$5.00 per gallon. In 1980 it was \$7.50. An increase of 50 percent. In 1977 bank operating loans were 9 percent. In 1980 14 percent for a 55.5 percent increase. The list goes on and on.

In 1977 corn brought \$2.16, 1978 \$2.37, 1979 \$2.80. 1980 through August \$2.71. An increase of 25 percent.

In 1978 soybeans brought \$7.23 per bushel. In 1979 \$6.47. In 1981 through August \$6.12. A decrease of 18 percent.

I believe you can see from these facts our farmers are in serious trouble, and when the farmer is in trouble the nation is in trouble. I would like to summarize some of the needs that have been mentioned.

1. Irrigation—Long term low interest financing.
2. Storage Facilities—Long-term low interest financing.
3. Cost of production on stored commodities. Without a mandatory to sell.
4. Federal Crop Insurance that will cover cost of production and living expenses at a premium we can afford to pay.
5. Make funds available for crop loans at a reasonable rate of interest through local banks, F.H.A. or S.B.A.
6. There must be disaster loans at a low rate of interest made available immediately to cover losses for 1980 and funds made available for 1981 crops.

[The following material was supplied by Bobby Fleming. See p. 36 for his oral presentation:]

[From the Atlanta Journal, the Atlanta Constitution, Sept. 14, 1980]

#### DROUGHT MAY CRIPPLE STATE ECONOMY

(By Vicki Pearlman)

Farm experts and economists are warning that the critical farm losses from this year's drought will not only raise food prices, but will strike a blow to Georgia's

economy, affecting everyone from the big-city banker to the clerk in the country store.

"Every part of your economy will suffer," State Agriculture Commissioner Tommy Irvin said of the summer-long dry spell that did an estimated \$700 million in damage to Georgia agriculture. "And, of course, it cuts down on the availability of money banks have to loan. . . ."

"When the farmer has a depressed year, it cuts down on his ability to buy new trucks, cars, washing machines, TV sets," Irvin said.

Since nearly 60 percent of the State's jobs are related to agriculture—still the State's biggest business—layoffs and cutbacks may be in the cards. The drought comes on the heels of four straight bad years for farmers and apparently will surpass the critical losses of 1977, farm economists say.

Areas likely to be hit are food prices, which already have begun to rise (nationally, 26 percent for corn and 25 percent for hogs and chickens since last spring), clothing prices, interest rates, and automobile and auto product prices.

Tractor and tractor part businesses, chemical, pesticide and fertilizer companies, transportation or trucking firms, and food processors all have a stake in the State's huge agribusiness operations. They are considered prime candidates for drought-related layoffs.

"It's not just the farmer this time that is suffering, it's going to be a lot of other people in the State too," said Bob Nash, president of the Georgia Farm Bureau. "It's going to affect the man on Main Street."

Farmers are among the biggest users of oil products such as diesel fuel, Nash said. "It's unbelievable all the products agriculture uses. And they're not going to have the money to pay for what they've already got."

Last week, the Agriculture Stabilization and Conservation Service in Athens predicted the State's losses from this year's drought will be as much as \$700 million, maybe higher. Most of the corn crop has been declared a loss; heavy losses are also expected in soybeans, peanuts, cotton, tobacco and hay.

Since Atlanta is the Southeastern center for many agriculture-related businesses, its economy will be affected, said Fulton County extension director Hal Tatum.

"A tremendous number of jobs in this area are related somewhat to agriculture," said Tatum. Likely to feel the brunt of the farmers' plight are Atlanta-based Gold Kist Inc., major poultry processors, several chemical companies, and many companies that manufacture fertilizers, seeds, farm equipment and tractors, he said.

"We'll probably find some people who may be out of a job or facing a reduction in salary," said Tatum.

"A fellow in my neighborhood in DeKalb County works for Ford Motor Co. making tractors, and he's laid off because of the depression in the farm equipment industry," said Bob Sumner, associate legislative director of the Georgia Farm Bureau.

Agribusiness is an \$11 billion industry in Georgia, according to Charles Crowder, executive director of the Georgia Agribusiness Council. He insists the picture is not totally bleak.

"I don't want us to feel that agriculture and agribusiness is so depressed that it doesn't have an opportunity to not only survive, but make a comeback."

Even so, agriculture experts agree hard times are ahead.

"It'll even affect your clothing manufacturer," said Elmo Winstead, the State's assistant agriculture commissioner. "If your farm population has a reduced money supply to buy clothing, or appliances in the home, . . . they'll say they can do without that new dress. It's a domino-type thing."

Fred Greer, vice president for agribusiness for Citizens and Southern National Bank, predicted banks—which loan a lot of money to farmers and agriculture-related businesses—will be "right in the middle of it."

Asked Sumner of the Farm Bureau: "In small rural towns, who else do the banks do business with? A large part of it is the farmers. And who do the people in town who do business with the banks do business with? The farmers."

All the financial institutions, not just the commercial institutions "will have to work more intensely and harder with agribusiness customers," said Greer. "The farm is just one step in the agribusiness chain. The farmer can't pay the farm machinery and equipment dealer and he can't pay John Deere. And the banks are obviously right in the middle of it."

In the end, said Greer, "it affects everybody. . . . It goes much further than just grocery prices. It affects the merchants on the square in the small town and right on up to Atlanta. . . . You can't separate agriculture from the rest of the economic sector."

Stephen Brannen, chairman of the University of Georgia's agricultural economics division of the College of Agriculture, said the state's consumers often forget the interlocking relationship between agriculture and agribusiness.

"It takes something like this to remind us," he said. "The number of people on the farm may be relatively small, but the volume of business they generate is almost astronomical. It's just interwoven into the whole fabric of our economy. When the farm sector is weakened, the whole fabric of our economy is weakened."

The immediate effect, said Brannen, would be on the firms and businesses that rely on the the flow of products from farms, which in small rural areas means just about everybody.

"Looking further down the road, farmers are simply not going to be demanding the machinery, the building supplies, the whole range of consumer goods," Brannen said.

In areas like South Georgia's Lowndes County, where 90,000 acres are farmed, that could mean disaster for the business community.

The poor tobacco season already has taken its toll on many Valdosta businesses that depend on the surrounding farmers for much of their income. Tobacco season usually brings in considerable business, but this year merchants complained business was off.

"Valdosta's like a trade center where so many people from the outlying counties and north Florida come to do their shopping," said county extension agent John Baker. "They buy their clothes, groceries, do their banking and spend quite a bit of money here.

"I've heard a lot of people talk seriously about not growing tobacco any longer," he said.

There will undoubtedly be farmers who declare bankruptcy, agreed Nash, of the Farm Bureau, and other agriculture specialists.

"And this will have a depressing effect on the rest of the economy of the state," said Nash. "The price of land will go down, the price of equipment when you go to sell it will be less, the equity on the books will be less, we won't be able to borrow as much money. . . .

"It may all seem far removed to some people, but I guarantee they're going to feel it."

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COOPERATIVE EXTENSION SERVICE,  
UNIVERSITY OF GEORGIA COLLEGE OF AGRICULTURE,  
September 15, 1980.

*To whom it may concern:*

*Subject: Soybean losses*

Agriculture is a vital part of Hart County, Georgia's economy.

Soybeans are a major part of this county's agricultural income of over twenty-six (26) million dollars.

Hart County's soybean acreage in 1979 was 23,500 acres with an average per acre yield of 28 bushels.

I estimate the average per acre production in 1980 to be less than ten (10) bushels per acre. Approximately seventy-five percent of the county's production will be lost due to the severe heat and drought conditions.

B. EDWARD PAGE,  
*County Extension Director.*

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FARMERS MUTUAL EXCHANGE,  
Royston, Ga., September 15, 1980.

Soybean crops surveyed by our salesman shows about 75 to 85% loss of crop due to dry weather conditions. Soybeans are trying to set pods but most are falling off due to dry weather. The pods that remain on the stalk will not fill out unless rain comes within the next two weeks. Soybeans that fill out will have very small beans in pod. Many acres of soybeans will be plowed under without harvest. Soybeans harvested will probably range from 5 to 10 bushels per acre.

JERRY STRATTON, *Manager.*

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DEAR SIR: In the opinion of this business (Farmers Mutual Exchange) the farmers of Hart County will lose about 60 to 75 percent of their soybean crop for the year 1980.

R. J. PAYNE, *Crop Specialist.*

[From the Herald Farm Report, Sept. 2, 1980]

## DROUGHT—AGENTS TELL OF HEAVY LOSSES ACROSS U.S.

(By J. B. Blosser)

OKLAHOMA CITY (UPI).—Agriculture officials from across the country say the dry, scorching summer will cut autumn crops in some areas by as much as 65 percent.

The nation's corn growers will suffer the greatest loss, farm agents predict, since crops were plagued by heavy spring rains even before the summer-long drought.

County agents in Oklahoma City for their weeklong National Association of County Agricultural Agents convention commented on their area crop outlooks as typical August heat followed two months of already record temperatures in much of the nation.

M. C. Howell, agent from Union County, central North Carolina, estimated a 65 percent corn crop loss for his area due to prolonged heat and drought. In Iowa, where corn is the major crop, officials are expecting at least a 15- to 20-percent loss.

"There is no soil moisture left," said agent Richard McClure of Fremont County, southwest Iowa. "There was not enough moisture for the corn to shoot silks and pollinate."

In Ohio, also a major corn-producing state, moisture has been slightly more plentiful and Franklin County Agent Thomas McNutt said he anticipated above normal corn yields. But farmers still will suffer monetary losses due to weather conditions, he said.

"One of our problems was too much rain," McNutt said. "In early spring our corn flooded two-three times and had to be replanted.

"It's going to be hard to put money in the bank from Ohio's corn crop this year," he said.

An Illinois agent said much of that state's huge crop "simply burned up."

"It's not so bad in the north but the south is just burned up," said agent Wilburn D. Smith of Washington County.

"With 105-degree temperatures and low humidity, the corn can't pollinate," Smith said. "The corn just won't make anything this year."

In eastern New Mexico, the scorching heat and drought have taken their toll even on irrigated corn and cotton, an agent said.

"We can keep it growing with irrigation but it's just not up to par," said Billy Dictson of Clovina. We'll have a 30- to 40-percent decline in corn this year regardless of whether we get any rain or whether it is irrigated.

"When you get temperatures over 100 degrees for 20 days in a row and hot, dry winds, it scorches things," Dictson said. "You can't put enough irrigation water on to help the ground."

The absence of rainfall has put an added strain on irrigation efforts, he said.

Spring flooding in north Alabama washed out part of the area's cotton crops, with the rain coming too late for cotton to be replanted.

In south Alabama, too, cotton is withstanding the dry heat thus far, said Escambia County agent Edward Knowles.

"The cotton can stand more dry weather. It's deep-rooted," Knowles said. "But the heat has had its effect."

Cotton in Oklahoma and Texas also has been stunted by the prolonged drought and heat. Agriculture officials said weather conditions would cut Oklahoma's cotton crop by 25 percent.

Soybean crops in many States will offer greatly reduced yields this year, due to late planting and lack of rain, agents said.

Unusually wet spring months in many States delayed soybean planting. Then, when farmers attempted to plant their late soybeans following wheat harvest, the ground was too dry and hard, agents said.

Knowles said his south Alabama county had seen no rain since June 25, and was undergoing its driest summer since 1954.

"That year we went from May to October without any rain," said Knowles, who has been an agricultural agent in the area 16 years.

Kansas farmers will suffer grain sorghum losses this year because recent rains came too late to save part of the crops, agents said.

Poultry producers in many States, including Arkansas and North Carolina, have suffered large losses due to the prolonged heat.

In North Carolina, Howell said, more than 200,000 broilers died in the heat, along with at least 18,000 turkeys grown for commercial use.

"When you lose that many turkeys worth \$10 to \$15 each, you're talking about a substantial loss," he said.

Other southern farmers have attempted to gauge the drought's effect on another major agricultural product—tobacco.

North Carolina agent Talmadge Baker said despite the heat's adverse effects on some small areas, it has helped battle a large problem.

Last year tobacco growers lost 80 percent of their crops to a moisture-fed fungus called blue mold, Baker said.

Baker, of Randolph County, said the dry weather "will decrease our tobacco yield by maybe 5 percent. But we won't have the mold like we had last year."

Weeks without rain have threatened the major peanut growing regions, including the eastern tri-state area of Alabama, Georgia and Florida, and the south, Oklahoma-Texas area.

"Our peanuts are so dry, the vines rattle," said Escambia County, Fla., agent Allen Mathews. "And that's our major crop."

Texas peanut growers gained some late relief from Hurricane Allen's rain, agent Hollis Duke of Atascosa County, Texas, said. The flash downpours, accompanied by strong winds, flattened some peanut vines, he said.

"But overall, the rain from Allen has been beneficial in our area," he said.

Cattle producers in many states have begun liquidating their stock because the drought has drastically cut hay supplies.

Some Oklahoma ranchers have begun thinning our surplus cows and selling feeder calves early, Grant County agent Donald Tallent said. No major liquidation had begun yet in north central Oklahoma, he said.

"Our biggest weather problem is the dry ground," Tallent said. "We can't even get the volunteer wheat up and out of the way to plant the next crop."

New Mexico and Kansas agents also reported feeder calves being taken to market early, a development that could prompt a future shortage and later increase beef prices.

"At least 90 percent of our wheat is grazed," said Dictson, New Mexico's Curry County agent. "Many cattle producers have begun supplemental feeding but that will cut our hay supply for later when we usually depend on it."

On August 2, 1980, Senator Herman E. Talmadge, chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, and Representative Bo Ginn from the First Congressional District of Georgia, met with a group of farmers and businessmen involved in the agriculture industry, in Statesboro, Ga., to discuss the effects of the drought on Georgia farmers and the agricultural economy.

The testimony given at that meeting follows:

**STATEMENT OF HON. BO GINN, REPRESENTATIVE IN  
CONGRESS FROM THE FIRST DISTRICT OF GEORGIA**

Mr. GINN. It is a genuine pleasure to be in Bulloch County and in Statesboro today, as we meet here in an official capacity and on a nonpolitical basis to discuss the very serious conditions confronting agriculture and agribusiness today.

Now it is no secret, of course, that Senator Talmadge's time is extremely limited and valuable between now and Tuesday because he is in a reelection campaign for the Senate, but we are not here to talk about that today. Because of the seriousness of the situation, he has taken time from his campaign to come here in his official capacity as chairman of the Senate Committee on Agriculture, Nutrition, and Forestry to talk with us and to receive input from the various segments of agriculture concerning the conditions that exist today.

Now many of you in this room know the Senator better than I, although I had the pleasure of working for him almost 5 years as his administrative assistant in Washington. He is no stranger in Bulloch County, and to those of you who are involved in agriculture, agribusiness, or in lending institutions, or the general assembly—I see some here—or whatever, there are many things that can be said about him. Some of them are false, and some of them are true, but I think the truest thing I can say about him in presenting him to you now is the fact that he is the best hope for agriculture in this State and in this country, because the people of Georgia have sent him to Washington long enough, through seniority and knowledge of the subject he has accrued to the chairmanship of the Senate Committee on Agriculture.

To me it ranks with defense, and I have said that to you many times in the past. All of us understand, defense is—it's vital, we've got to have it in this country, but what's the next most important thing, or right equal with it? Agriculture, the ability to feed, clothe, and house our people, that to me ranks with defense in importance.

Presidents come and go. They have farm policies. Some of them work, some of them don't, but in the final analysis the man who is with us here today holds in his hands, I think—and I am very serious with you now—the future of agriculture. Some will say, if that's the case, why are we in the condition we are in today? That's a viable question, I think.

Well, No. 1, no one of us can control the weather, the good Lord does that. He has seen fit now to send us 4 years of drought which has seriously hurt us; more than any other thing, I think, that has hurt. So we cannot blame anyone for the weather conditions.

Secondly, farm programs, why don't we have better farm programs? If it was left up to Senator Talmadge entirely, we would have what you need and what you know you need, and what we all know you need. But he is 1 of 100 in the Senate, but even at that, he can pass what you need in the Senate, but the buck doesn't stop there. Then you've got the House to deal with, where I have the pleasure of serving. There are 435 of us there and less than 40 of us who have a serious interest in agriculture and who are willing to go to bat for agriculture. All of that plays a role in the difficulty in securing the basic programs that we need.

Now, then, of course, the basic problem is the cost of production. If we ever arrive at the time in this country where you are paid for your products what you have to pay for those things with which it takes to produce a crop, that really would solve the problem. But, we have some 96, 97 percent of the people in this country who are so-called consumers and less than 5 percent who are doing the producing, so we don't have that political clout that we used to have years ago.

The drought is widespread this year, far more than it has been in the last 3 years, as far as Missouri and Illinois and Indiana, and places like that. They are having the same problems you are, so I think we are now getting into a position and into a condition, to where more Americans, those who live in Detroit, New York, San Francisco, and in Atlanta, are beginning to see the serious problems confronting agriculture today. And if we don't do something about them, and do it soon, we are going to have the most gigantic corporate farming operation in this country that the world has ever seen. Then you will see prices, if they want to worry about prices at the grocery store, then you are going to see prices get completely out of hand, when we lose the individual, family farmer and we go to gigantic corporations, and that is about where we are reaching in this country today as I see it.

I don't want to take any more of the Senator's time. Senator, we very much appreciate your taking time from your hectic schedule, and we all understand just how hectic it is in the waning days. And, as I said, this is not a political rally. This is an official meeting with the Senator here in his capacity as senior Senator from our State and as chairman of the Senate Committee on Agriculture, to talk with you briefly, and then we are going to receive from representative speakers, covering the various segments of agriculture and agribusiness and lending institutions, some comments to the Senator for him to receive and to respond to, if time permits.

So with great pleasure, my friends, I am delighted to present to you the man who I often have said has done more for our State than any other living Georgian, including the present occupant of the White House. Thank you, Senator Talmadge.

STATEMENT OF HON. HERMAN E. TALMADGE, A U.S. SENATOR  
FROM GEORGIA

Senator TALMADGE. Thank you, Bo.

Chairman Bradley, Congressman Ginn, and my friends of Bulloch and adjoining counties, first let me express my deep gratitude to your illustrious Congressman, Bo Ginn, for the generosity of his presentation. As Bo told you, he was my administrative assistant for almost 5 years, and I guess I know Bo better than anyone in Georgia except his wife, and I guess Bo knows me better than any man in Georgia, so I am grateful for his generosity.

Then, too, it is a pleasure to see so many old friends here today. I wish we could meet under more favorable circumstances, because I am well aware of the agricultural situation in this State. It is more trying than I have seen since the depression years. Agricultural prices remain generally low, while farm production costs have continued to soar out of all control.

By the U.S. Department of Agriculture's official estimate, net farm income this year is projected to be between \$21 and \$26 billion down from \$33 billion last year. The unofficial USDA estimate is even worse, below \$20 billion. In real terms, that would be the worst year since the Great Depression.

All this is not news to any one of you. It is simply a restatement of the cold, hard facts of which you are all aware. In the past few months, I have traveled all over this State, from the mountains to the coast, and from the Chattahoochee to Savannah. I have been in nearly every county, and I can personally vouch that farmers this year face one of the worst if not the worst natural disasters to befall our State in our lifetime.

For many areas of the State, this is the fourth consecutive year that our farmers have suffered weather disasters. Our crops and pastures are burning up. Yields for crops not totally destroyed are going to be extremely short. For any farmer who lacks irrigation, it is the old villain, drought and heat. It is the sneakiest of our natural disasters.

In addition to the weather, farmers have also been facing during these past 4 years the disaster of bureaucratic inaction, inefficiency, and general lack of urgency and responsiveness. Again this year I have had to fight a constant uphill battle in Congress to win any kind of relief for producers, even though the drought and the heat, as Congressman Ginn told you, has been on a national scale. We have had to overcome administrative footdragging and lukewarm support, and in some cases outright opposition to obtain what we have.

But in spite of this, I was able to win passage of legislation earlier this year providing a 7-percent increase in target prices for corn and wheat this year, with a further cost of production increase to come in 1981. You and I know that it was a trivial amount, but in the legislative process that Congressman Ginn explained to you, that was as much as we could get.

I was able push through Congress this past spring, in a little more than 1 month, an increase of the Farmers Home Administration economic loan program, and to provide an additional \$2 billion

in funding. Without this bill, many farmers would have been unable to plant their crops, because that program expired in April of this year.

We had to fight the administration to pass an extension of the disaster payment program. Without the extension, this program would not be in effect this year. As you know, I had to amend the law before to make it applicable retroactively.

Both my Senate Agriculture Committee and the House Agriculture Committee recommended legislation to increase price support loan levels on this year's crops. Again, the administration, until this past week, opposed such an action. On July 23, that is Tuesday a week ago, Chairman Foley of the House Agriculture Committee and I went to the White House to see the President, Secretary Bergland, and his Under Secretary, Jim Williams, to personally urge the President to raise support loan levels which he had authority to do under the existing law. I am pleased that on this past Monday the President did announce higher loan rates this year for corn and feed grains, wheat, and soybeans. This, along with higher target prices mandated by Congress earlier in the year, will help some.

Congress also passed my legislation this year, the increase on farm storage facility loans from the Commodity Credit Corporation. This is critical to Georgia and the Southeast. Many of our farmers lack the storage bins needed to participate in the farmer-held reserve program, or to store their beans and corn without having to dump them on the market at harvest time regardless of the price. The Midwest and the West generally have larger on-farm storage capacity, but we are far behind.

Because of the continued weather problems, record high interest rates and plummeting farm income, I introduced on July 2, S. 2931, the Agricultural Credit Readjustment Act of 1980. This bill would enlarge the Secretary of Agriculture's authority to provide repayment flexibility for Farmers Home Administration borrowers during adverse periods that we are in now, and to give him specific authority to declare a moratorium on Farmers Home Administration loan repayments. This legislation will receive early and thorough consideration by my committee; we will look at all of the moratorium alternatives and possibilities, and weigh all of the pros and cons on each before deciding on the final legislative approach.

The emergency actions that we have been able to accomplish this year hopefully will bring some temporary relief to farmers, but it is clear to me that long-term solutions are needed to restore financial strength and stability to American agriculture. We must have strong, new, workable farm programs. We must have programs that are readily responsive to the real needs of our farmers. We must have programs that not only will enable producers to overcome their present problems, but will give them an opportunity to make a fair and decent profit from their farming operations.

The Congress will have the opportunity to do this next year, when we write a new general farm law to replace the Food and Agricultural Act of 1977. This will involve a complete review and revision of all of the major commodity programs now in place. No one could possibly have foreseen in 1977, the degree to which farm production costs have escalated over the past 3 years, particularly

our energy costs. It is clear that the 1977 act failed to provide adequate protection for farmers against rising production costs. The price and income protection provisions of the present law have lagged woefully behind rapid, almost daily increases in production costs.

The first order of business of my committee in January will be to draft a new farm bill that will give farmers price and income protection that they must have to survive in this period of wildly escalating production costs. During my 23½ years in the Senate, the past 9 as chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, I have fought to the limit of my ability for the programs that would give our farmers a fair share of the American economy. So long as I have the opportunity to serve Georgia in the Senate, I will continue to fight for a fair deal for American farmers in general, and for Georgia farmers in particular.

Now I have told you some of the things that have been done and that we will be doing during the next year. However, the real reason that I am here today is to hear from you. I want to hear about your situations and problems, as well as your suggestions and recommendations, and I assure you that they will be welcome and very carefully considered. Thank you for the privilege of permitting me to join you.

Congressman GINN. Thank you very much, Senator, for your opening statement.

The program has been devised, as I said earlier, in an effort so the Senator can hear personally from a representative group of individuals covering the entire spectrum of agriculture and agribusiness. In the House we have a rule known as the 5-minute rule; that's as long as you can speak. In the Senate, they can speak unlimited, filibuster, but in the House there are so many of us, as we are here today, so we have to operate under the 5-minute rule, and that's what we are going to be doing today in order to cover as much ground as we can as rapidly as we can.

First we are going to hear from Johnny Bradley, who will talk for 5 minutes on the subject of farming problems in general. Johnny, will you come forward.

#### STATEMENT OF JOHNNY BRADLEY, FARMER, REGISTER, GA.

Mr. BRADLEY. Thank you, Bo.

Senator Talmadge, fellow farmers, business friends, Bo already told you who I am. I am Johnny Bradley, a Bulloch County farmer. Most of you already know me; for you that don't, I speak in behalf of the First District farmers. We are honored that you would all come and listen to our problems, and there are many.

Senator Talmadge, the handwriting is on the wall. You are a wise and intelligent man, all of you in the Senate and the White House. We believe this, but they were also wise and intelligent men in King Belshazzar's kingdom, but they could not read the handwriting that was on the wall, and I would like to read it for you.

The American farmer cannot survive the escalating prices of fuel, fertilizer, interest, and so forth, of the 1980's. Everything he buys goes up. Everything he sells comes down. I was born and

reared in this country, and was told that even a refugee could make a living in it if he worked hard and made a good citizen; that a man's destiny was in his own hands. I am convinced this is all wrong.

The American farmer has no control of his destiny. His destiny is in the hands of the U.S. Congress. I don't believe that you can neglect this responsibility placed on you. It is a grave responsibility.

I saw a TV ad a few weeks back for Fram oil filters. It said, "A \$5 oil filter or a \$700 repair bill; you can pay me now, or you can pay me later." The Arabs and the big business will sell their food as they sell their oil. Senator Talmadge, Congressman Ginn, you are elected by your people to represent your people in their best interests. I do not believe that you can represent your people in their best interests by allowing the American farmer to be put out of business, by asking him to sell his products below production cost. I love this country as much as anyone; I love America. It's my home. Every time I see an American flag, I think of the Pledge of Allegiance, and especially the part where it says, "with liberty and justice for all." The American farmer has received no justice.

Our President is a great advocate of equal rights, but does he represent the American farmer? Is the farmer treated equal? Does he get justice? Mr. Bergland told wheat farmers that we should hold our commodities until the supply went down and the demand went up, but he forgot to tell us about the embargo, and he forgot to tell us how to pay Mr. Everett Williams and these other people with our grain in the bins. He didn't tell us how we could do that.

Something is wrong with the system, something is wrong, when I have to work from 60 to 70 hours a week with a \$350,000 investment, and a man on a 40-hour-a-week job drawing minimum wage can make more money than I can, something is wrong. I don't mean to sound hard, but it seems to me that we have been used. Our food is bought below production cost, so it can be given away, and the budget still be balanced.

Our President said a few weeks ago on TV, I saw him, he said we have to be more productive, we have to produce more goods for an hour's work. We, the American farmer, have produced ourselves out of business. The more we produce, the more we lose. I don't think we'll lose that much next year; we probably can't produce anything.

My dad told me as a small boy, he said, "Son, it's not how big the dog is that's biting, it's just how much bite is in the dog that's fighting." And we have fought hard enough to win, and we should have won, but every time just before we win they turn a new dog on us. [Laughter.]

We feel as did the psalmist David, when he, Psalm 142, verse 4, he says: "I looked on my right hand and beheld, but no man would know me. Refuge failed me. No man cared for my soul." Does anybody care that the American farmer cannot survive?

Senator Talmadge, we need your help. One of your opponents, on TV, referred to you as an "old pro." You should send him a contribution. [Laughter.] He meant it for hurt, but it will do you a lot of good. And I would like to say, when you get back to Washington and they ring the bell for the 15th round, if they come out

fighting, we don't need an amateur in our corner. We need a pro. I say, send Herman Talmadge.

Thank you.

Congressman GINN. Senator, I think we have it set up where you could respond to each speaker, but I think I am going to let you hear from the speakers and then let you respond.

Second, we have one of the First District's largest and outstanding farmers to talk with us on farm financial problems and proposed solutions, John Spandle from Evans and several other counties where he farms. John, would you come up?

#### STATEMENT OF JOHN SPANDLE, FARMER, CLAXTON, GA.

Mr. SPANDLE. Senator Talmadge, Representative Ginn, fellow farmers: I think it was once said, "Destroy your cities, and they will rebuild themselves, but destroy your farms and grass will grow in the streets of your cities." The independent family farmer of this country is being destroyed, because farmers can't stay in business when they are forced to sell their products at prices that are below cost of production, and we all know this means no profit.

Does anyone, the consumer or the people in our Government realize how important food production is to our country? When will we wake up and realize that Americans could be hungry, that there is a food shortage ever-present in our country, and at any time it is only 12 months away? We will have to have—will we have to have a food shortage in this country such as our energy shortage to wake people up, so we'll be willing to pay for the products the farmer produces? I hope this doesn't happen, but it's heading this way.

Senator, we the First District farmers are in deep financial trouble. Some of us are broke. We are broke when it goes to the bank, and we are broke in spirit; we are tired of trying. We see no end to this. Our local surveys tell us that 30-plus percent of the farmers, possibly right here in this room, will not receive financial help to start another crop in 1981.

You know what this means? This means bankruptcy. It means forced sales, and it means depressed land and equipment values which is going to—the ones who do survive will have even a rougher time when they go down to the bank. We need help so we can finance our farms with profits. If we can do this, if we can finance our farms with profits, the farm industry will provide a stable economy for our cities and our counties and our Nation.

We all feel, and we know that the agricultural industry in this country is the backbone of this country. Without food production, we cannot survive.

Senator Talmadge, we have some proposals that we would like to make. You covered some of these things briefly in your opening remarks. We think these will give us some help then, but a lot of us in this room have got to have help between now. Now is when we need it. We can't use it in the 1981 farm program. We have got to have help then, but a lot of us in this room have got to have help between now and December 31, and we need it bad, and here is what we are asking for.

We need a debt moratorium, which you mentioned, for up to 3 years. A lot of us don't have FmHA loans. A lot of us have com-

mercial bank loans. A lot of us, to our sorrow, have SBA loans. We need help with these also. How this could be done, we don't know.

Senator Talmadge, we need operation money made available to us through local banks. Don't put me in the hands of a man in Atlanta that has never seen me and doesn't know what I'm doing, and don't put me in the hands of a man that doesn't care what I'm doing, such as some of the people we have in FmHA offices. Put me in the hands of my local banker, a man I grew up with, a man that I can go sit down and talk to and tell him my problems, and if he approves me a loan, then give it a Federal backing, provide our local banks with the money.

So we need low-interest money to finance irrigation equipment if we are to continue, and I see no relief for prices immediately, we have got to have them, but we need low-interest money, lower than we can get at a bank or other lending institutions, for irrigation equipment. This is one way we can survive.

We need low-interest money, lower than the ASC offers to us now, to finance grain storage facilities. I can't pay 13 percent interest and sell corn for \$3 a bushel; there's just no way. We need low-interest loans to cover—all this grain that we produce, if we are lucky enough to produce it, we need a storage system set up to get the cost of production out of our crops, so we can hold these crops profitably and provide a better market for ourselves. So we need to be provided with Federal crop insurance—a lot of us would like this program—to cover cost of production, at a premium we can afford, not a premium that's three times too high and only covers a third of our production costs. We need it this way.

Senator, we know that you have a lot of power in Washington, and we all respect you, and we are here asking you for your help because we have to have help, and we know that when you speak people listen to you. And we ask that you, for a 1981 farm program, we ask you to contact every farm organization leader in this country, invite them to Washington, and along with doing this get all the grassroots input that you can from farmers such as people in this room, and if it can be done before a farm program is ever worked out, and then sit down and work us out a farm program that is workable and profitable for the American farmer.

As I said, Senator Talmadge, we know that you have worked hard for us in the past. We all feel this way, and we appreciate all the help you have given us, but we need your help again and we need it more now than we have ever needed it in the past. We know that these proposals will not be met without challenge from some aspects of our economy, but we know, sir, that you are a champion for the farmer and that no task is too great.

Thank you.

Congressman GINN. Are you hearing in the back? If not, we'll try to speak louder. Thank you.

I thank you, John, very much. Next we are going to hear from the president of the Young Farmers Organization here in Bulloch County, one of our fine young citizens in the First District, Senator Talmadge, who earlier this year came with several other young farmers to Washington and I think did an outstanding and a very creditable job in attempting to convince Secretary Bergland and some other leaders in the White House and OMB and others of the

problems confronting agriculture. I would like for you now to welcome Jimmy Akins, who will also talk about farm financial problems and proposed solutions. Jimmy Akins.

**STATEMENT OF JIMMY AKINS, PRESIDENT, YOUNG FARMERS ORGANIZATION, STATESBORO, GA.**

Mr. AKINS. Thank you.

Senator Talmadge, I would like to narrow down to problems of the First District. We feel that adverse prices and adverse weather conditions are our two major problems. Farmers have always felt that we can produce ourselves out of desperate situations like this, but at this point we cannot go it alone. We have to have your help, and every one on Capitol Hill, to include Bo Ginn. We have to have a program that will benefit not only the farmers of the United States, but also the people of the United States, to provide food and storage to see that all people in the world can continue to eat as good as they do today.

Low-interest money for irrigation will help compete with adverse weather conditions and maintain a stable production. If we can't make a profit at the production level in food and fiber, we need a set-aside program to conserve energy and conserve our natural resources, and give a profit to the producer at the production level.

We feel Federal grants for alcohol production can help in the use of some of the excess grain that people believe we have. Better policies on exports will help divert some of these excess grains to countries that need them, and provide better prices for the producer. We also ask that the credit of the Commodity Control Council be maintained at the present level, if possible be raised, because this program has been in production for 20 years and has never lost any revenue; and there is talk of this program being deleted from the 1981 farm bill, but we disagree. We think we need this program continuously.

In dealing with the farm bill, we feel that you should and could pull all the groups, agricultural groups, in and come up with a workable solution that each farm group can support, and by doing this, our lawmakers have told us for years that we need unity, and if all farm groups are supporting the same farm bill, we feel that we can get it passed and that it will benefit all of America.

Senator Talmadge, farmers are but 3 percent of the U.S. population, but our productivity is twice that of any nonagricultural group. We are exporting close to \$30 billion annually, and we are still in a critical situation. If you compare hamburger meat to medical costs over the last 20 years, hamburger meat should be plus \$4.20 per pound. Compare eggs to transportation; eggs should be \$3.41 per dozen. Productivity has held the prices low, but we can not use productivity for an escape route any longer.

We are not asking for a handout; we are asking for help. With these figures to support us, we feel by helping the American farmer you are not only helping just the farmer, you are helping the entire world. Senator Talmadge, we appreciate your support over the past years, but we need more support from everyone in Washington now. Thank you for your time.

Congressman GINN. Thank you, Jimmy, for your suggestions.

It is a well-known fact, I think everybody in this room certainly realizes it, that when the farmer hurts business hurts as well, on Main Street. Now we want to hear from an excellent businessman, an outstanding farm equipment dealer, Charlie Joiner. Charlie, would you come up and let us hear from you?

#### STATEMENT OF CHARLIE JOINER, STATESBORO, GA.

Mr. JOINER. Thank you, Congressman Ginn, Senator Talmadge. I guess I was selected to represent the farm equipment dealers because I probably have the biggest mortgage.

The farm equipment industry, like the farm economy, is in a depressed state. We dealers have large inventories and high equipment prices, and we are dependent upon a very depressed farm economy to dispose of these goods. The farm equipment industry has contributed greatly to the increased farm productivity during the past 40 years. However, the prices in our industry like those other production goods required by the farmer, continue to increase in price while his income declines.

An example would be, in 1975 a popular size tractor that sold for approximately \$18,000, and today that same tractor would sell in excess of \$32,000. The farmer, who is already the most productive businessman in the world, is expected to constantly increase his productivity, while the other industries simply pass along their reduced productivity in the form of price increases.

Our industry's contribution is vital to the production of food to a hungry world. We believe the farm equipment industry plays a more vital role to the basic needs of our country than does the automobile industry. However, all we need and all we expect is a decent farm economy to correct our problems.

Senator Talmadge, we appreciate your contributions to our industry, and we look forward to your leadership and experience during the next 6 years in helping us to solve the serious problems that we are facing today. Thank you.

Congressman GINN. Thank you very much, Charlie. When I grew up on a two-horse farm, we fertilized corn by dropping soda by hand, some of you remember that, but the fertilizer industry has become quite sophisticated and has changed a great deal. Now we are going to hear from someone in that business, another excellent businessman, Raybon Anderson, Raybon, would you come up and talk to us for a few minutes?

#### STATEMENT OF RAYBON ANDERSON, STATESBORO, GA.

Mr. ANDERSON. Thank you, Congressman Ginn. Senator Talmadge. We are glad to have both of you in Statesboro and Bulloch County.

When I was asked a few days ago to represent agribusiness at this occasion, it wasn't hard for me to reach a subject. My subject: agribusiness in trouble. And I later put serious trouble.

As I visit with agribusiness people over the State, I find many of them saying the same thing: Sales volume down, which we expected at the start of this year. We all anticipated this. We knew the farmers were having to tighten their belts, to buy just what they could get by with. They did a good job at this. They tightened their

belts. They were much better business managers than they have ever been, I feel. They bought only things that they had to have.

But now we find ourselves in the same boat as the farmers in our area. We have got the highest accounts receivable in history. We are going down that same stream with the farmer. We are in that boat together, and we don't have a paddle. And we need someone to throw us a paddle; we need it now; we need it very bad.

We are asking our Government to help our farmers, which in turn will help agribusiness and the entire economy. Here are just a few things we feel will help. We in agribusiness feel the farmers should be able to always get world market prices for their commodities. They should not have to live under a threat of an embargo from any administration, especially when the American farmer sees supplies he has to buy being exported, in turn raising the prices he has to pay for his supplies.

I'll give you an example; the phosphate exports we had just a few months ago we believe raised our prices on raw phosphate, \$50 to \$75, even more dollars per ton, that had to be passed on to you farmers in this room. It's hard for us to say we have an embargo, or we will be threatened by an embargo, and then in turn export things we have to buy, raising our price.

We feel the commodity market should not be controlled by speculators, nor do we believe it should be controlled by the consumer groups over our Nation. We see grains increase 25 cents per bushel, and then all we hear on the news media for the next few days is how much bread will increase to the American housewife. That gets more publicity than our commodity price increase.

If our Government will listen to this group, then we feel the farmers should be given equal time to let their views be heard. We feel price support needs to be at least production cost. We feel our peanut program has to be improved.

I think in all these things we have talked about, I can summarize by saying, we only ask our Government not for a handout, but to help us have a fair price for the goods we produce. We will do our job in producing, having good productivity, if they will only help us by eliminating some of these things I have spoken of.

Let me say, Senator Talmadge, in my closing remarks, that we do appreciate all you have done for agriculture in this area in the past, and we know you will continue to have our interests at your heart in the next 6 years. Thank you.

Congressman GINN. Thank you very much, Raybon.

Senator, I think it's going to be a good idea to take this whole panel to Washington. We've got lots of folks up there who need to hear some of this.

Next we want to hear from another excellent businessman who is manufacturing his own irrigation equipment, as I understand. Chuck Shiels will now speak to us on how farm economy affects irrigation dealers. Chuck?

**STATEMENT OF CHARLES F. SHIELS, PRESIDENT, SOUTHEAST  
AG PRODUCTS, STATESBORO, GA.**

Mr. SHIELS. Thank you, Bo.

Senator, friends, some of you may not know me. My name is Chuck Shiels. I am the owner of Southeast Ag Products here in

Statesboro, Ga. I started Southeast Ag Products in 1973. We manufacture irrigation equipment and spraying equipment.

Our yearly sales started with \$130,000. Last year it was \$2.5 million. We started in 1973 with two employees. Over the past 5 years, we have had as many as 35 employees working for us, and things was good, things was real good. But Senator, Southeast Ag and myself is in trouble. The economy has really gotten to us. I very well could lose my business, if something isn't changed in the next 3 to 6 months.

One year ago I started seeing the problems I was in. I saw at that time I was going to have to cut down. Instead of having \$2.5 million in sales, I was going to have to go the other way. I could have the sales, but I couldn't finance. I had outgrown my banker. I didn't have any place to go. I couldn't go to another. I had everything I had up for collateral. I, as an agribusinessman, couldn't go the FHA or to ASCA as easy as some of the farmers could or other businesses, and we were trapped between a rock and a hard place.

I had to lay off people, down to 11; I'm running my business this year with 11 people. I had to take salesmen off the road. I had to do without things that I needed, trucks that needed to be replaced. I don't have a truck in my business that doesn't have over 100,000 miles on it. When and if I can replace these trucks, I will have to replace them all at one time. There is no way that I can replace these trucks all at one time. It means I go through more hardships.

It's bad when you do not have the cash flow. I had an inventory, starting inventory, starting in January, of \$710,000, but couldn't pay my bills. My employees didn't want to take inventory home for paychecks. My banker didn't want irrigation equipment; he wanted repayment. I had to sell my inventory at cost to move it. I had it there. I had to make sure that I was going to get rid of it, so I could meet my obligations.

Fellows, this is tough, this is bad, when you have to sell your inventory at below cost. You say, you can't do that; I had to because I was paying from 14 to 23 percent interest, and every time I sold a piece of equipment I was at least saving 14 percent.

I have no large corporation, excuse me, Charlie, such as International or John Deere, to maybe re-floor plan, or maybe take the pressure off of me. I have to get rid of my inventory. I own it, I and my bank. If I survive in the business world today, I will have to ride on somebody's shirrtails, and that shirrtail is the farmer's. I don't know of any program or any organization that will stand up for a small agribusinessman and say, "Hey, we're in trouble."

Today I heard two agribusinessmen say that they were in trouble, and I have heard several others here in Bulloch County, and this is what we have to do, but we are going to have to ride on somebody's shirrtail, and it's going to be the farmer. We have to come right in behind the farmer to get some help.

Senator, can you help me to stay in business? I need some problems controlled now. I have \$321,000 in accounts receivable; over 80 percent of this is held by a Federal agency, through the farmers. It is supposed to be Federal agencies, such as FHA, is supposed to close loans in 45 to 60 days.

Last year I had two loans that was over 6 months, before they were closed. Now I got commitments, the farmer got commitments, the loans was processed, but I had to wait 6 months for my money.

I have now over \$280,000 held by FHA. Some of this money is in the office; it will not be released. They don't have time. But yet, I'm paying 14 and 23 percent money every day. I can't understand this. It's pulling us down. I talk to other businessmen right here in this room; they tell me the same thing.

If we could get our money released, so we could operate, so we could pay our bills and stop our interest, we wouldn't be in too bad a shape either. We are in the same predicament as the American farmer, and especially Bulloch County and surrounding farmers.

If agriculture is to stay in this area, we are going to have to irrigate. Farmers are going to have to irrigate. I should know, but I don't know, what area—or how many acres are irrigated in this area, but I would say 15 percent at the most. If the irrigation people that's in this area sells irrigation equipment or manufactures irrigation equipment, we will have to have more than our local bank to help us, because if every farmer in here decided to put up irrigation equipment next year, we can't afford the inventory, we can't afford the debt load. We would have to turn our money in a very short length of time, or we're going to be out of business.

We have people today that I have done business with for 5 years, that require me to pay COD, not because my credit's bad, but because they have to turn their money. They have to know that they're going to get paid as soon as it's delivered. Most all farmers feel that they would like to pay their bills as soon as it is delivered, but they can't. They go to a lending institution, and it may take 6 to 8 months.

To irrigate in Bulloch County and surrounding counties here, we're talking about from \$300 to \$500 an acre, maybe higher. If we have half of the farmers in here, you can imagine how many millions and millions of dollars that this would take in cash, in inventory and cash flow, to supply the demand. In this, Senator, we have got to have some help.

It looks to me like that FHA or some of our Federal agencies could work through our bankers. Our bankers know our farmers, they know our agribusiness people. They could speed up the problems that we're having.

Senator, as you see I don't have any good solutions to my problem. I know I have one; I know other businessmen have one. I am trying very hard to control the ones that's hurting me the most. Some I have no control of, but Senator, I need help. I need your help, Senator; I need Mr. Ginn's help; I need my banker's help; and I need my customers' help most of all. And most, I need my Government, I need my Government to see what my problems are, and understand what my problems are, and try to help me so I can be in business next year and a few years hereafter.

Thank you very much.

Congressman GINN. Thank you, Chuck, for an excellent statement.

Next we want to talk about another very, very important segment of agriculture, and that of course is financing, and we are

blessed, I think, in these 20 counties in the First District with having some very, very fine lending institutions. They will be represented today by a banker who is well known throughout this area and this State, and more and more around the country. He is trying to retire, but even in retirement he is still serving on the national agriculture and rural development committee of the National Independent Bankers Association. I think all of you know Everett Williams, who will now talk with us about the financial end of our problem.

**STATEMENT OF F. EVERETT WILLIAMS, BANKER,  
STATESBORO, GA.**

Mr. WILLIAMS. Thank you, Bo, Senator Talmadge. We are certainly indebted to you, Herman, to be with us today, because we are in trouble, as all of these speakers have pointed out.

I have been a friend of the Senator's since too long for either one of us to admit, I guess, and I have found him at all times willing and anxious to help his friends and constituents who need help, and I feel sure that what he is hearing here today will stimulate his desire to do something for the bad condition of American agriculture.

I appreciate what our Congressman said about the banks in this area of our State. I was going to make an opening remark to you, that I feel like that the commercial banks in this area of Georgia are doing as good or better job for agriculture than you find—you will find most of them are, than you will find anywhere in the United States. There is only so much we can do. We only have so much money deposited with us in our banks, and when that money is gone, there is certainly no further that we can do to help farmers or businesses than anyone else. It's just that simple. The money supply is limited, and we are not in a position to compete with the big money market centers, as you all know.

When Dudley asked me to have this few minutes on this program today, 4 or 5 minutes to say what I thought should be done about the bad plight that the American farmer finds himself in today, I should have told him it wouldn't take but about a half a minute, Dudley, because frankly, ladies and gentlemen, I was brought up to be honest, and honestly I don't know what the answer is, and I am really beginning to wonder who does know the real answer to the problems facing the American farmer today.

You can ask 10 people, and you'll usually get 10 different answers, and I say this primarily because of three things: the total farm debt in the United States today, the unprecedented increase in production costs, and the steady decline in farm income. Farm debt in the United States during the 1970's rose 11.7 percent per year, compared to 7.5 percent during the 1950's and the 1960's. At the beginning of this year, the farm debt in the United States was \$161 billion, and at the end of 1985 it is projected to be \$275 billion, and even this staggering amount represents a slower growth rate during the next 5 years than was experienced in 1979.

It is also projected that real farm income is not expected to rise from the 1979 level. Inflation and growth in land prices are both expected to experience a slower rate of growth. Farmers' use of debt will increase slightly in relation to income, and his debt

service will become more and more susceptible to the year-to-year volatility of his income. This is really not a pretty picture.

Agricultural experts tell us that we are moving into an era of ever-closer balance between world food needs and production capacity. Our domestic demands, which are growing slowly in response to production and consumer income, will not be large enough to support favorable farm income in the years ahead.

What does this tell us? To me, it says that the purchasing power of U.S. farm income for the next few years will depend critically on increases in exports. I think our Government, Senator Talmadge, should exert every effort possible to extend our agricultural exports. I know and realize that this takes time, and certainly it is not an answer to the immediate problems that we have heard expressed here this morning, and that you farmers are facing today. However, I think it is certainly a goal that we should strive for down the road, down the road, and we should begin now.

What should be done now? I don't think more and bigger loans are the answer. Even if they were, most rural commercial banks already have higher loan-to-deposit ratios than do their city cousins and the money market center banks.

I recently attended a meeting of the committee our Congressman referred to in Washington. There are 10 members of that committee; there is one from the State of South Carolina, and the other eight were scattered from the Dakotas to California to Washington, all over the rest of the country. Our bank—at the opening of the meeting, the chairman of our committee asked each person to identify himself and tell a little about his bank. Our bank here in Statesboro had a loan-to-deposit ratio 18 percent higher than any other bank represented there. So that's the reason, Bo, I said in the beginning that the banks in this part of Georgia are doing a good job.

The banks are lending, I think, every bit of the money available for agriculture. Consequently, any increase in farm debt held by America's rural banks would be limited, at best. There is legislation pending in the Congress at this time, which if passed I think would provide help to the banks by providing some additional funds at a reasonable cost, comparatively speaking. What this legislation does is open the discount window of the Federal Intermediate Credit Bank to a greater degree than previously to rural commercial banks which have certain percentages of their loans in farm loans. This would mean most all of our banks, in my opinion.

This legislation is supported by the Independent Bankers Association of America, by the Farm Credit Administration, but it is opposed by the American Bankers Association. I hope it passes. It will help some.

I think you might be interested to know that in the IBAA there is a membership of approximately 7,400 banks scattered throughout the 50 States of America. Some 80 percent of those 7,400 banks have assets under \$25 million, but those 80 percent supply over 50 percent of the credit to agriculture extended by commercial banks in America. So I feel that this pending legislation, which the Farm Credit Association and the IBAA are in agreement on, if passed will be of some help to you.

Moratoriums have been mentioned this morning. I won't take issue with the gentleman who made those statements, but I think moratoriums, in my opinion, will not solve the problem. I think the problem is deeper than debt moratoriums. It is simply a delay, and in some instances I could see the possibility of a compounding of existing problems.

I feel we all will agree on many things that are needed by many of our farmers: better management tools, more irrigation has been mentioned, the things that Raybon mentioned, many things, and go on down the line and no use to rename all of them. But if the farmer has everything he should have, and does everything he should do, what has he accomplished if the end result is that he receives less for his crops than it costs him to produce them?

All of you in this room know what the result is. Most of you, I dare say, have experienced that for the past 3 or 4 years. You know the results. I recently read a detailed analysis of our agricultural economy by some of America's leading economists in the field of agriculture, and what they expected, what this group of people expected for the next 5 years, one sentence in this study to me tells us what will have to be done, and this is that sentence: "Prices received by farmers will have to increase faster than prices paid by farmers to stimulate output, or Government intervention will be required."

I hate to agree with this statement. We all hate to have to go to Washington, but it seems to me that the answer is in Washington. And Congressman Ginn and Senator Talmadge, you are both my friends, and you always will be, but it is time in my opinion that all of you in positions to do so should recognize the problems of the American farmer to the same extent that many other groups have been recognized in our society. We cannot continue to penalize our farmers because of fear of what another group of people in our society might say. We have got to all live together; we have got to work together, and we have got to help each other in our common interests.

Thank you very much.

Congressman GINN. Thank you very much, Everett. I think you, in a very succinct way, have summarized the feelings of everyone in this room. Senator, you have and I too have heard some excellent suggestions today. We realize that you are on a tight schedule, but I just simply want to say this has been a good meeting. I don't know that Senator Talmadge particularly has heard anything that he hadn't already heard, but I think it serves to recharge your batteries and makes you want to try a little harder to bring all of these things together into workable programs so that we can continue to be the best fed and best clothed people in the world.

So now for closing remarks, which will be followed by a prayer, which I assume Dudley will deliver for our meal, I am going to call on Senator Talmadge before he has to leave to fulfill another engagement, to come forward now and summarize, Senator, your feelings for us at this point. Thank you.

Senator TALMADGE. Thank you very much, Bo and gentlemen.

As Congressman Ginn told you, I probably haven't heard anything here today that I haven't heard before, but I heard it perhaps in more detail, stated from the heart by knowledgeable people who

know what they're talking about. And of course this is one of the great agricultural areas of Georgia, and when farmers and agribusiness people in Bulloch County, Candler and Evans and Tattnall and this section of the State have problems here, you know that it's not only statewide but it's nationwide also.

You have experienced farmers who utilize the latest means of agricultural science in production, you have bankers who are acclimated to the soil that work with you in every way possible. It has been a heartrending story here, and it has been heartrending everywhere I go and hear similar stories to this.

My only regret, Bo, is that this is not broadcast live in every radio network in American today, every television network in America today, where every individual in this country could have heard what we have heard here this morning. Perhaps it would have had some effect. When the housewife in New York reads about wheat going up, all she thinks about is the cost of bread, and she starts raising the devil about it, and so on down the line.

Many people, even in the Congress of the United States, think that milk comes from an A. & P. instead of a cow. They don't understand the relationship between the cost of production and their commodity. People here in the United States of America have the greatest variety of food of any people on Earth, and at the lowest cost per hour of labor of those not engaged in tilling the soil. Our productivity in American agriculture is the envy of the world. It has been increasing at the rate of about 6.7 percent a year. I wish I could say the same thing for American industry.

American industry last year had a decline in productivity, nine-tenths of 1 percent. That is one of the reasons we have such a tremendous deficit in our balance of payments. American agriculture, as one of your young farmers here mentioned this morning, despite the embargo, will export this year between \$35 and \$40 billion worth of agricultural commodities and will earn a balance on our payments from agriculture alone of \$15 to \$20 billion. If industry did half as well, we would have a huge surplus in our balance of payments and our dollar wouldn't be declining so rapidly in value as we have it at the present time.

Yet our farmers haven't received a reward commensurate to that increased productivity. In fact, the reward has been declining rather than going up. We had a farmer before the Agriculture Committee several weeks ago from Illinois, to testify. He and his sister produced 2,200 acres of corn and soybeans. I asked him how many employees did he have for that 2,200 acres. The answer was, "Three." That's 733 acres to the man. The last time I checked the statistics in the Soviet Union, it was 1 man, 10 acres. That's the reason the Soviet Union can't produce the soybeans they need, or the feed grains they need, or the corn they need, or any of the agricultural commodities they have to import. That's the cause of America's agricultural productivity.

Now they called me from the White House last December, and also the Department of Agriculture, prior to the time they put on the embargo against the Soviet Union. I listened to the story, and here's what I told them. I said:

No. 1, if you are going to impose an embargo, it ought not to be limited to agricultural commodities alone. If that's enough of a foreign policy issue where our country has to take such drastic action, the farmers and agribusiness should not be

expected to carry that burden alone. It should be shared equitably by every American citizen.

No. 2, having said that, I want to point out to you that embargoes historically have never been effective unless you have the military power to enforce them.

Napoleon tried to impose a continental system when his armies controlled all of Europe, and it was ineffective. Our Government tried to impose an embargo of the rest of the world and all of the United Nations against little Rhodesia, that doesn't even have a seaport, and one railroad, in the heart of landlocked Africa, and it was ineffective.

Now, the oceans of the world are big places. The Soviet Union is the second largest gold-mining country in the world. They have reserves of gold. And even in Atlanta, Ga., if you have money you can get a man killed. And my judgment is that the Soviet Union with their resources of gold are going to be able to get the agricultural commodities they need. They can place an order in Buenos Aires or in Hong Kong, ostensibly to be shipped to Thailand or Cambodia or France, and then order it transhipped in the middle of the ocean and nobody will know anything about it or can do anything about it.

My prediction as to what would happen has occurred. We hoped to withhold from the Soviet Union 17 million metric tons of grain. South America alone made up 11 million tons of that 17 million. We don't know whether any of ours slipped through in the export trade or not; it probably did. If it went anywhere in the world, they could pick it up.

So, I don't think the Soviet Union has been harmed by it, certainly not irreparably. It has not removed a single Soviet soldier from Afghanistan. The people of this country, the taxpayers and the American people, and particularly the American farmer, have been hurt by it.

We imposed an embargo several years ago on soybeans going to Japan. I tried to stop that; I failed. That was during the Republican administration. What happened? The people in Germany and in Japan went down to Brazil and encouraged them, usually with their own money and investments, to produce more soybeans. They did, and now Brazil is the principal competitor in the export of soybeans. That's what happens when you try to impose embargoes. They usually backfire.

I think every one of these gentlemen this morning made some outstanding suggestions. Dudley, I hope you had all of this recorded. If not, please get me a document with all of the statements that have been made here this morning transmitted to my office in Washington. I want to send a copy of it to the President of the United States, to the Secretary of Agriculture, the Director of the Office of Management and Budget, and to my counterpart on the House side, Congressman Tom Foley. I just wish that every Member of Congress could have been here this morning to hear this, and even beyond that, I wish every American, young and old, male and female, in this country could have heard it.

You know, we live in a great agricultural State, but you don't get much agricultural news in our daily newspapers. You do in some areas, but if you read the Atlanta Journal, the only agricultural news you get—or the Atlanta Constitution—is the futures market, and it's even worse in many other sections of our State. They don't know that farming is as important as your next meal, unfortunately. That's the environment that we have to work in in Washington.

All I can say in conclusion is, thank you for the opportunity of being here with you. If everybody in the Congress and in the executive branch of Government thought like you and Bo Ginn and

me, we could sit down and write a farm bill in 10 minutes, but unfortunately it's not that simple.

I thought Everett Williams stated the real problem pretty well in his last one or two concluding remarks that he made, and I think I can simplify it: What farmers need more than anything else is good weather and good prices. That's what it boils down to, and you can just bet your bottom dollar that I'm going to do my part with every resource at my command to see that that comes to pass.

Thank you. Good luck. God bless you.

