84TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
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INCREASING THE BORROWING POWER OF THE COMMODITY CREDIT CORPORATION

MAY 24, 1956.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SPENCE, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H. R. 11132]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 11132) to increase the borrowing power of the Commodity Credit Corporation, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

The amendment is as follows:

Strike out section 2, and renumber section 3 as section "2".

PURPOSE OF THE BILL

The purpose of the bill is to increase the borrowing authorization of the Commodity Credit Corporation from $12 billion to $14 billion in order to enable the Corporation to carry out its approved programs. Also, section 2 amends penal provisions contained in the CCC Charter Act to make it a Federal offense to willfully steal or convert property mortgaged or pledged to a lending agency under a program of Commodity Credit Corporation and to reduce from a felony to a misdemeanor certain offenses involving property of a value of $500 or less.

GENERAL STATEMENT

The Commodity Credit Corporation operates under Federal charter and provides the administrative mechanism through which the United States Department of Agriculture meets the requirements placed on it by law to make price-support on farm commodities available through loans, purchases and other operations. Price-support operations constitute the major activity of the Corporation, but it

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also conducts a storage facilities program, a supply and foreign purchase program, a commodity export program, and other activities as authorized or directed by Congress. A full description of the various programs conducted by the Corporation, all of which are within the framework of laws enacted by Congress, is contained in the budget submitted to and approved by Congress each year.

A Board of Directors, appointed by the President and confirmed by the Senate, manages the affairs of the Corporation under the general supervision and direction of the Secretary of Agriculture, who is, ex officio, a Director and Chairman of the Board.

The Corporation utilizes private trade facilities, including banks, cooperatives, commercial warehouses, handlers, and others to the maximum extent practicable in conducting its operations. The greater portion of price-support loans made to producers is initially made by banks pursuant to agreements with Commodity Credit Corporation under which the Corporation obligates itself to purchase notes evidencing such loans at any time on demand or on maturity.

The financial resources available to the Corporation for carrying out its programs consist of its authorized capital stock of $100 million held by the United States, and its authority to borrow, the total of all amounts borrowed not to exceed $12 billion at any time. With respect to its borrowing power, the Commodity Credit Corporation Charter Act (15 U. S. C. 714b (i)) requires—

> * * * The Corporation shall at all times reserve a sufficient amount of its authorized borrowing power which, together with other funds available to the Corporation, will enable it to purchase, in accordance with its contracts with lending agencies, notes, or other obligations evidencing loans made by such agencies under the Corporation's programs.

BORROWING AUTHORITY

As of March 31, 1956, the Commodity Credit Corporation had in use $11.4 billion of its total borrowing power of $12 billion. Actual borrowings from the United States Treasury amounted to $10.4 billion and obligations to purchase loans held by lending agencies amounted to $1 billion. The total amount of borrowing power in use as of March 31, 1956, was $3 billion greater than the amount in use one year earlier.

Based on the testimony of the Department of Agriculture representatives before this committee, there are three major factors to be considered in connection with an increase in the borrowing power of the Commodity Credit Corporation.

First, it is necessary that the Corporation have sufficient borrowing power to cover its investment in commodity loans and inventories resulting from price-support operations with respect to 1955 and prior crops. As of March 31, 1956, this investment aggregated $8.7 billion, of which $3.1 billion represented outstanding loans and $5.6 billion represented commodity inventories.

Second, it is necessary to have enough additional borrowing power to cover the amount of realized losses and other reimbursable costs incurred by the Corporation but not yet reimbursed by appropriations as provided for by law to be accomplished in the regular appropriation process. As of March 31, 1956, these items totaled $2.6 billion, of

which $1.8 billion represented realized losses and $841 million represented other reimbursable costs, including costs of the International Wheat Agreement ($149 million), transactions under Public Law 480, which relates to exports of farm commodities ($676 million), and others totaling $16 million. Of the total of these items, Commodity Credit Corporation should receive approximately $1.2 billion in reimbursement about July 1, 1956, but the remainder of $1.4 billion will continue as a charge against Commodity Credit Corporation borrowing power until after June 30, 1957. This has been taken into consideration in estimating the borrowing power required.

Third, the Corporation must have sufficient borrowing power to cover the additional investment which will result from carrying out existing commitments for price support on 1956 crops. Representatives of the Department pointed out to this committee that any estimates made at this time with respect to the volume of 1956 crop operations are subject to considerable change because of the numerous unpredictable supply and demand factors that determine the use of price support loans and purchases by producers. Once the levels of price support for the crop year have been announced, the Corporation is in a position of having made an open offer to make loans or purchases at the applicable support price on any eligible quantity of the commodity which may be produced in that crop year, and it has no control over the proportion of total crops eligible for support that it may be required to finance through loans or purchases.

The Department representatives testified that the $2 billion increase in borrowing power requested reflected their best appraisal of the 1956-crop plantings, an assumption that the average yield for each 1956 crop will be the same as for the 1955 crop and that the same percentage of the estimated production will be placed under loan as was placed under price support from the 1955 crops. They emphasized that their estimates did not look beyond the needs for 1956 crops and that an increase of $2 billion did not include provision for financing the soil bank by the Commodity Credit Corporation as proposed in pending legislation except insofar as the margin of available borrowing power may permit the initiation of the program. Accordingly, it probably will be necessary for this committee to review the situation in the early part of the next session of Congress in the light of conditions as they exist at that time, including legislation that may have been enacted by that time.

When the Department representatives were before this committee in July 1955, they estimated that by June 30, 1956, the Commodity Credit Corporation borrowing power in use would amount to $10.3 billion. It now appears that the borrowing power in use as of June 30, 1956, will amount to $11.7 billion, or $1.4 billion more than was anticipated in July last year. Loans made on 1955 crops were $700 million more than had been estimated. Loan repayments were $400 million less than estimated, and purchases were $150 million more than anticipated. These and other smaller items were the factors which resulted in the fact that the estimate in July 1955 was $1.4 billion less than the current estimate of borrowing power to be in use as of June 30, 1956.

It is expected that the present borrowing power of $12 billion will be exhausted in November 1956. It is, therefore, necessary that an increase in the borrowing power be authorized during the present

session since the price support and other operations of the Corporation are conducted within the framework of legislation enacted by the Congress and financial resources must be provided the Corporation to carry out the statutory requirements.

Amendment to Penal Provisions

Section 2 of the bill as reported amends subsection (c) of section 15 of the Commodity Credit Corporation Charter Act, as amended (15 U. S. C. 714m (c)), in order (1) to make it a Federal offense to willfully steal or convert property mortgaged or pledged to a lending agency—such as a private bank—under a program of Commodity Credit Corporation and (2) to provide that offenses under such subsection involving property of a value of $500 or less shall be punishable as a misdemeanor, rather than as a felony as now provided for all such offenses regardless of value of the property. With respect to item (1) the subsection now covers only property owned or held by or mortgaged or pledged to Commodity Credit Corporation.

Enactment of the proposed amendment to the Commodity Credit Corporation Charter Act was recommended to the Congress in a letter dated March 29, 1956, signed by True D. Morse, Acting Secretary of Agriculture, and addressed to the Speaker of the House of Representatives. The letter states that the proposed amendment has been approved by the Department of Justice. Testimony before the committee indicated that the Attorney General has ruled that a theft or conversion of property mortgaged or pledged to secure a loan under a program of Commodity Credit Corporation, which is committed prior to the assignment of the loan indebtedness to the Corporation, is not now punishable as a Federal offense under either the Commodity Credit Corporation Charter Act or any other Federal statute.

Under many of its price-support programs, Commodity Credit Corporation makes loans available to producers through private banks and other financing institutions which operate under lending agency agreements entered into with the Corporation. These private lending agencies use their own funds to make such loans but have an option to assign to the Corporation without recourse, at any time, the notes evidencing such loan indebtedness, together with the loan collateral, and the Corporation is obligated under the lending-agency agreement to purchase such notes at full value. The Corporation, therefore, assumes the financial risk with respect to loans made by such lending agencies and bears the loss in the event of theft or conversion of the loan collateral either before or after assignment of the notes to it. The financial interests of the Federal Government will be better protected and the administration of agricultural price-support programs will be made more effective if the coverage of the Commodity Credit Corporation Charter Act is broadened so as to make the willful theft or conversion of property while mortgaged or pledged to private lending agencies under a program of the Corporation punishable as a Federal offense.

The purpose of the other change made in subsection (c) of section 15 of the Commodity Credit Corporation Charter Act is to reduce from a felony to a misdemeanor offenses involving property of a value of $500 or less in order to facilitate the prosecution of relatively minor

violations. The social stigma and loss of civil rights that go with conviction of a felony—as distinguished from a misdemeanor—make the obtaining of successful prosecution of such minor offenses more difficult where the law makes provision only for the felony conviction. In most States, for example, a convicted felon loses his right to vote, the right to hold public office, and the right to serve on a jury. Misdemeanors are prosecuted by the simpler procedure of an information prepared by the United States attorney rather than, as in the case of felonies, by a grand-jury indictment. The speedier prosecution made possible by proceeding on an information will contribute to more effective policing of minor criminal violations.

Experience of the Government in the handling of farm storage conversion cases indicates that prosecuting attorneys, courts, and juries are reluctant to convict persons of a felony where the amount involved is relatively small. By reducing these minor violations to a misdemeanor, the prosecution of such cases will be facilitated.

Willful thefts or conversions of loan collateral or property held by or owned by Commodity Credit Corporation of a value in excess of $500, such as the more serious farm storage conversions, conversions by warehousemen of Commodity Credit Corporation grain, and thefts of substantial quantities of grain from Government-owned grain bins, will continue to be punishable as felonies under the Commodity Credit Corporation Charter Act.

COMMITTEE AMENDMENT

As introduced, the bill contained provisions authorizing the use of CCC stocks of grain to feed waterfowl, in order to reduce crop depredations by such waterfowl. The committee adopted an amendment striking out these provisions inasmuch as they are incorporated in H. R. 7641, which the committee has ordered favorably reported.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 4 OF THE ACT OF MARCH 8, 1938

BORROWING POWER

SEC. 4. With the approval of the Secretary of the Treasury, the Commodity Credit Corporation is authorized to issue and have outstanding at any one time, bonds, notes, debentures, and other similar obligations in an aggregate amount not exceeding [$12,000,000,000] *$14,000,000,000*. Such obligations shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices as may be prescribed by the Commodity Credit Corporation, with the approval of the Secretary of the Treasury. Such obligations shall be fully and unconditionally guaranteed both as to interest and principal by the United States,

and such guaranty shall be expressed on the face thereof, and such obligations shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. In the event that the Commodity Credit Corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such obligations, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such obligations. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Commodity Credit Corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchase of the Commodity Credit Corporation's obligations hereunder. The Secretary of the Treasury may at any time sell any of the obligations of the Commodity Credit Corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the Commodity Credit Corporation shall be treated as public-debt transactions of the United States. No such obligations shall be issued in excess of the assets of the Commodity Credit Corporation, including the assets to be obtained from the proceeds of such obligations, but a failure to comply with this provision shall not invalidate the obligations or the guaranty of the same: *Provided*, That this sentence shall not limit the authority of the Corporation to issue obligations for the purpose of carrying out its annual budget programs submitted to and approved by the Congress pursuant to the Government Corporation Control Act (31 U. S. C., 1946 edition, sec. 841). The Commodity Credit Corporation shall have power to purchase such obligations in the open market at any time and at any price.

Commodity Credit Corporation Charter Act

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Sec. 4. General Powers.—The Corporation—

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(i) May borrow money subject to any provision of law applicable to the Corporation: *Provided*, That the total of all money borrowed by the Corporation, other than trust deposits and advances received on sales, shall not at any time exceed in the aggregate [$12,000,000,000] *$14,000,000,000*. The Corporation shall at all times reserve a sufficient amount of its authorized borrowing power which, together with other funds available to the Corporation, will enable it to purchase, in accordance with its contracts with lending agencies, notes, or other obligations evidencing loans made by such agencies under the Corporation's programs.

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SEC. 15. * * *

LARCENY; CONVERSION OF PROPERTY

(c) Whoever shall willfully steal, conceal, remove, dispose of, or convert to his own use or to that of another any property owned or held by, or mortgaged or pledged to, the Corporation, *or any property mortgaged or pledged as security for any promissory note, or other evidence of indebtedness, which the Corporation has guaranteed or is obligated to purchase upon tender*, shall, upon conviction thereof, *if such property be of an amount or value in excess of $500*, be punished by a fine of not more than $10,000 or by imprisonment for not more than five years, or both, *and, if such property be of an amount or value of $500 of less, be punished by a fine of not more than $1,000 or by imprisonment for not more than one year, or both.*

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